

PAPER MONEY

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JANUARY/FEBRUARY 2007

OFFICIAL JOURNAL OF THE
SOCIETY OF PAPER MONEY COLLECTORS

Alexander Hamilton
Patriot, soldier, financier
1st Secretary of Treasury
250 Years 1757-2007

Alexander Hamilton by J.F.F. Prud'homme



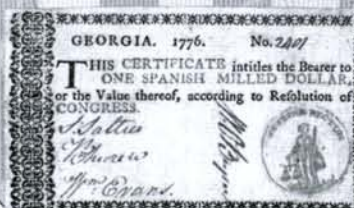
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FRED L. REED III, Editor, P.O. Box 793941, Dallas, TX 75379

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Society of Paper Money Collectors



The Society of Paper Money Collectors (SPMC) was organized in 1961 and incorporated in 1964 as a non-profit organization under the laws of the District of Columbia. It is affiliated with the American Numismatic

Association. The annual SPMC meeting is held in June at the Memphis IPMS (International Paper Money Show). Up-to-date information about the SPMC and its activities can be found on its Internet web site www.spmc.org.

MEMBERSHIP—REGULAR and LIFE. Applicants must be at least 18 years of age and of good moral character. Members of the ANA or other recognized numismatic societies are eligible for membership; other applicants should be sponsored by an SPMC member or provide suitable references.

MEMBERSHIP—JUNIOR. Applicants for Junior membership must be from 12 to 18 years of age and of good moral character. Their application must be

signed by a parent or guardian. Junior membership numbers will be preceded by the letter "j," which will be removed upon notification to the Secretary that the member has reached 18 years of age. Junior members are not eligible to hold office or vote.

DUES—Annual dues are \$30. Members in Canada and Mexico should add \$5 to cover postage; members throughout the rest of the world add \$10. Life membership — payable in installments within one year is \$600, \$700 for Canada and Mexico, and \$800 elsewhere. The Society has dispensed with issuing annual membership cards, but paid up members may obtain one from the Secretary for an SASE (self-addressed, stamped envelope).

Members who join the Society prior to October 1 receive the magazines already issued in the year in which they join as available. Members who join after October 1 will have their dues paid through December of the following year; they also receive, as a bonus, a copy of the magazine issued in November of the year in which they joined. Dues renewals appear in a fall issue of *Paper Money*. Checks should be sent to the Society Secretary. ❖

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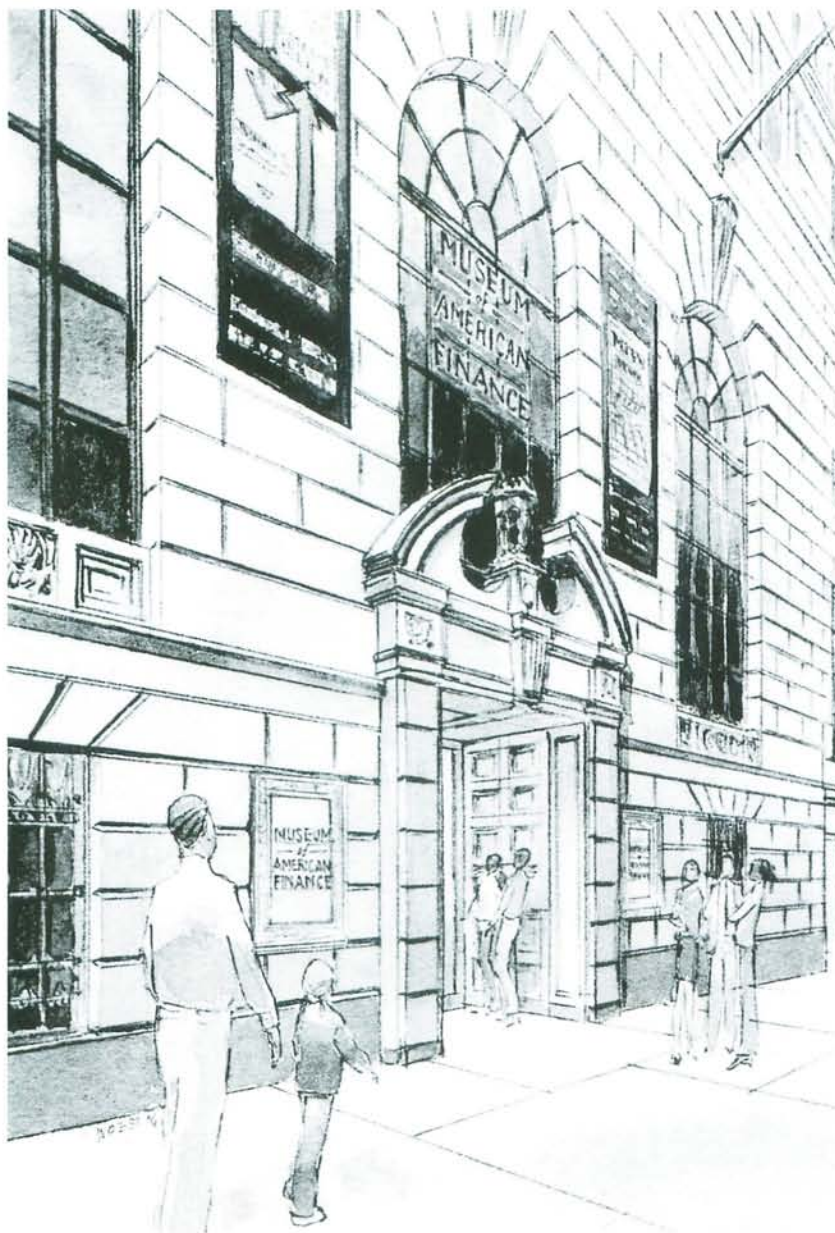
FUN

Historic 48 Wall St.

Relocated, Renamed
Museum of American Finance
previews new digs with salute
to Alexander Hamilton
January 11, 2007

By Kristin Aguilera

Visitors to the Museum of American Finance's new home at 48 Wall Street will ascend this magnificent staircase to the building's Grand Mezzanine (Alan Schindler, Photographer)



WHEN THE BANK OF NEW York opened its first building at 48 Wall Street in 1797, New York's first bank instantly attracted attention. And although the building that currently stands at 48 Wall is not the original, but the third Bank of New York headquarters on the site, it will once again welcome an excited public in 2007 as the new home of the Museum of American Finance.

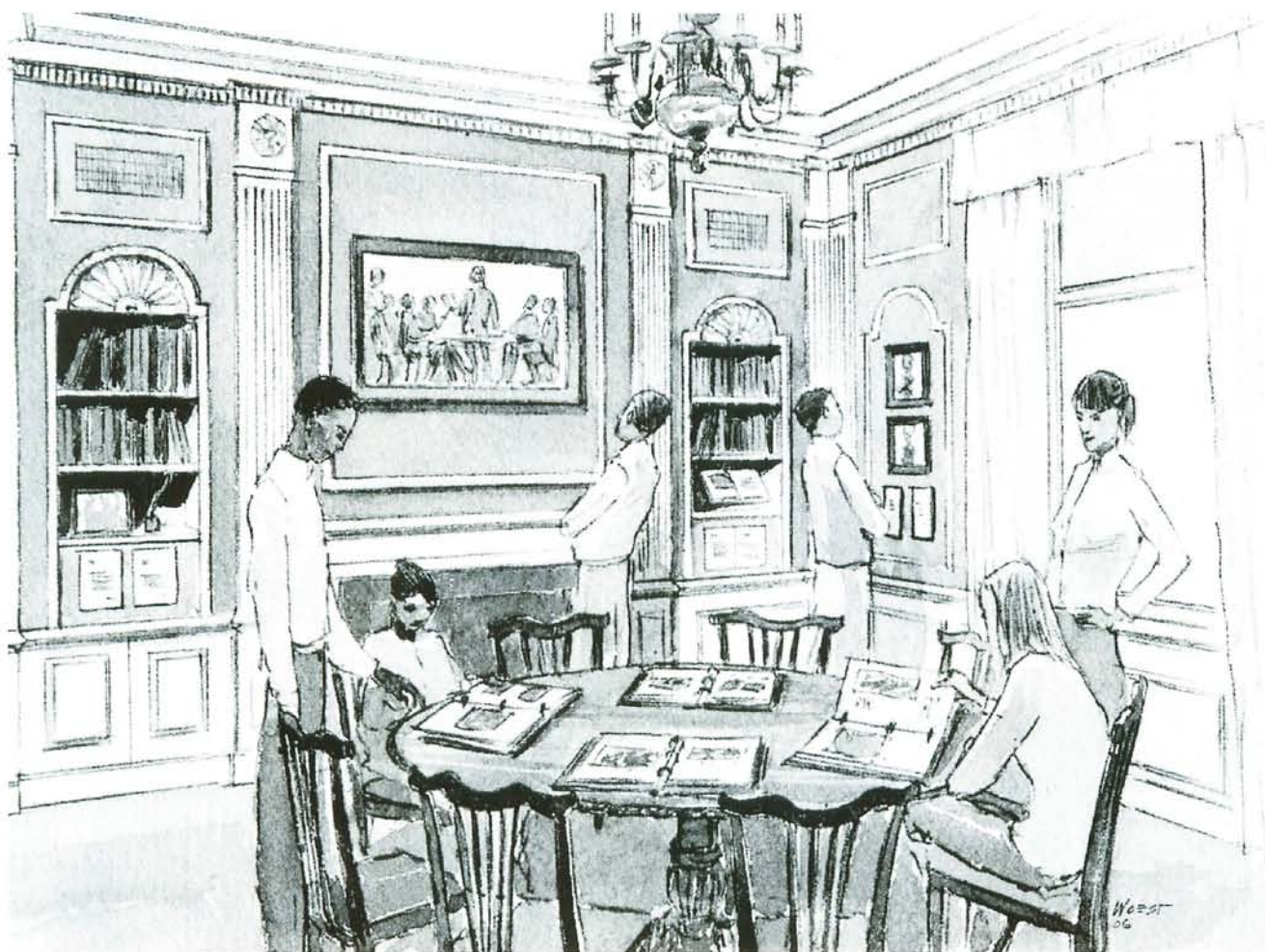
The Museum, an affiliate of the Smithsonian Institution, plans to open in its new location in spring 2007 but will preview the space at a symposium, cocktail reception and silent auction on January 11. The event will be a celebration of the life of Alexander Hamilton, the first U.S. Secretary of the Treasury and, appropriately, a founder of the Bank of New York. This event will also serve as the unveiling of the first of the Museum's permanent exhibits, which will be a federalist-style room paying tribute to both Hamilton and the Walton House, where the Bank of New York first conducted business in 1784.

Left: Watercolor rendering of Museum entrance at 48 Wall Street. **Below:** Design rendering of the Museum's Grand Mezzanine, housing permanent exhibits on Capital Markets, Money, Banking, Entrepreneurship, and Alexander Hamilton. (Both, credit: C&G Partners)



John Herzog, founder and chair of the Museum, said the 48 Wall Street address is ideal not only for its Downtown location, but for its architecture and history.

"In planning the Museum's move to larger quarters, we felt it was important to choose a site with historic significance," Herzog said. "And perhaps there is no more fitting a home for the Museum of American Finance than the former headquarters of New York's first bank, which was founded by Alexander Hamilton, creator of



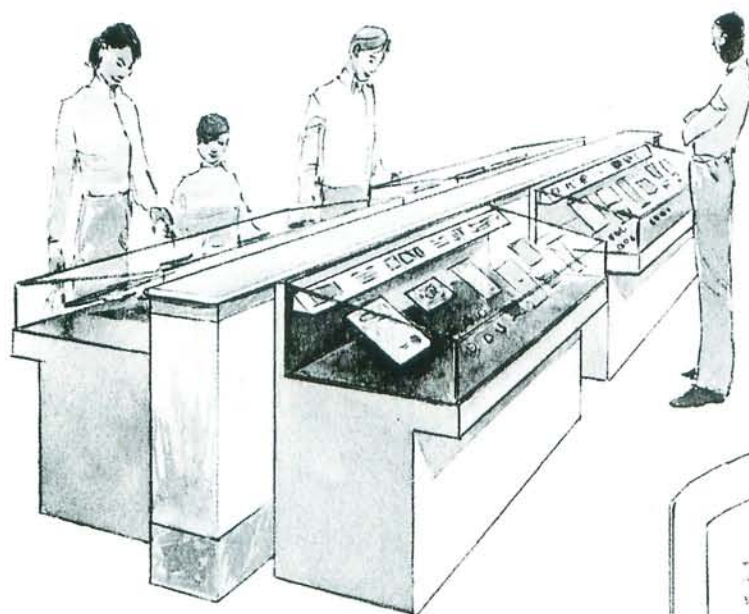
Above: The "Alexander Hamilton Room" exhibit will pay tribute to our first Secretary of the Treasury, and to the living room of the Walton House, where the Bank of New York first conducted business. Right: Close-up rendering of the capital markets exhibition. (Both, credit: C&G Partners)

our nation's financial system."

48 Wall Street is located in the heart of New York's financial district on the corner of Wall and William Streets, just one block east of the New York Stock Exchange. The Museum will occupy 30,000 sq. ft. of space on three floors of the 36-story landmark building. The main exhibition space will be located in the building's former banking hall on the Grand Mezzanine level, opening directly onto Wall Street. This space features 30-foot ceilings, magnificent windows, arched wall panels with murals depicting various aspects of commerce and banking, and an elaborate marble staircase and floors. The Museum's other two floors will feature a 250-seat auditorium, a state-of-the-art educational facility, library, archives, and offices.

The large exhibition space will allow for the display

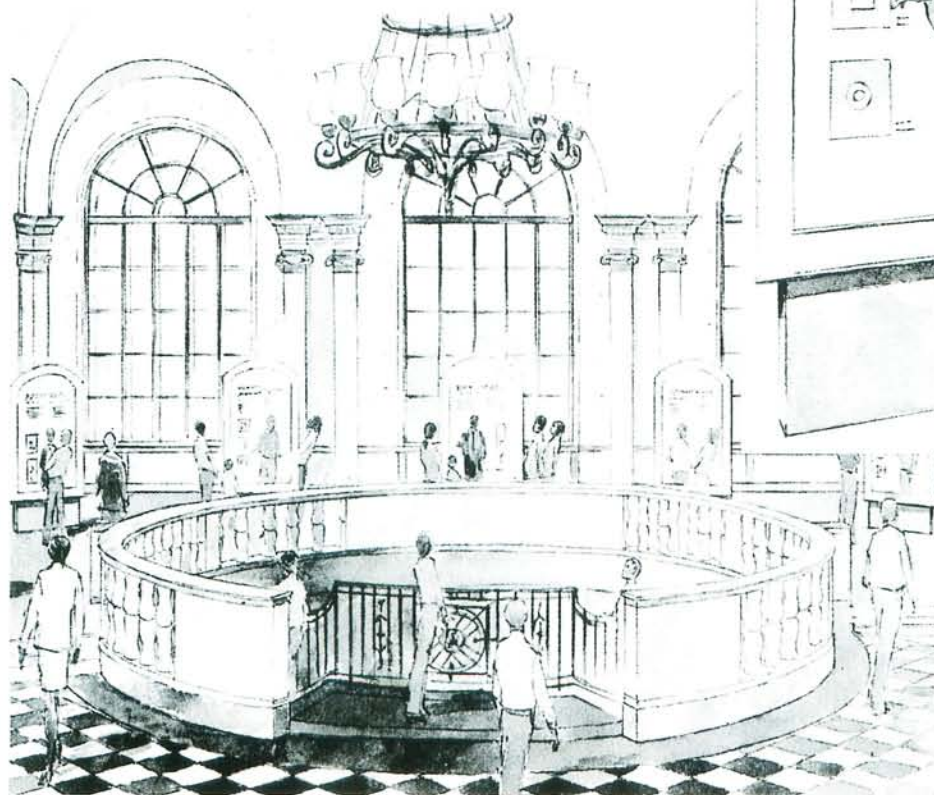




of both permanent and temporary exhibitions, and progress on exhibit designs and content is well underway. This article shows watercolor renderings of some of the Museum's planned exhibitions, designed by the prestigious New York-based design firm C&G Partners.

The permanent galleries will allow people of all ages to learn about the capital markets, the exchanges in New York and around the world, money, banking, entrepreneurship

Above: Close-up of cases in the money exhibition. Below: The Wall Street side of the Museum will be an interactive exhibit on entrepreneurship. Right: Close-up rendering of one of the stations in the entrepreneurship exhibit. (All, credit: C&G Partners)

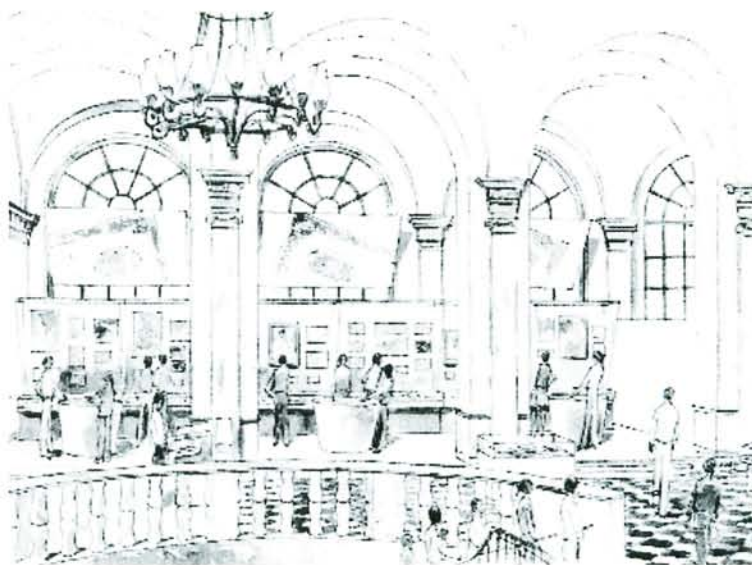


and the brilliance of Alexander Hamilton in creating America's economic system. The exhibitions will contain gems from the Museum's collection, as well as some of the latest technological gadgets in the financial field. Historic photographs,

colorful graphics and engaging interactives will lead visitors to learn firsthand the benefits of investing. Temporary exhibitions will highlight both historic and contemporary subjects.

The announcement of the Museum's new home was made in tandem with that of a recent name change from the Museum of American Financial History to the Museum of American Finance. Executive Director Lee Kjelleren said the Board felt the new name better reflects the Museum's growing commitment to its role as a guardian of America's collective financial memory, and as an interpreter and explicator of current financial issues.

"Modifying our name and moving into a magnificent new facility are momentous milestones in our quest to build the Museum into a national institution of distinction," Kjelleren said. "Our new home on Wall Street will enable us to expand our reach sig-



Above right: The largest of the Museum's permanent exhibits will be about the capital markets, and will line the William Street side of the exhibition space. Right: Upon entering the Museum's exhibition space, visitors will be greeted by interactive towers on the major exchanges. Below right: Rendering of the Museum Shop.



nificantly, giving New Yorkers, as well as national and international visitors, the tools they need to lead more financially secure lives."

The Museum's move from its small quarters in the Standard Oil building at 26 Broadway was prompted by rising demand for its programs and services in recent years. As financial literacy becomes an increasingly important component of middle and high school curricula, the Museum has renewed its emphasis on financial education – from teaching responsible saving and investment habits and encouraging entrepreneurship to explaining how the capital markets work.

The financial education center, located on the building's concourse level, will be a collaborative effort with the National Council on Economic Education (NCEE) and will combine classroom space with interactive kiosks and displays. Various symposia and televised issue debates are also planned. ♦





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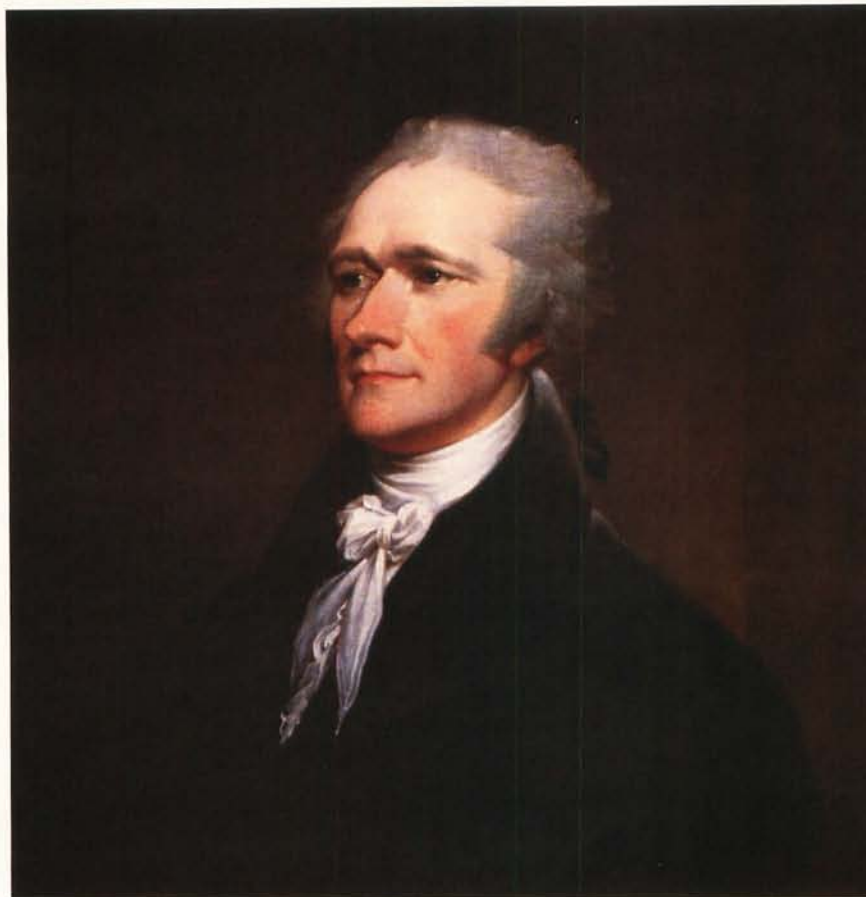


Image courtesy of the National Portrait Gallery, Smithsonian Institution; gift of Henry Calvert Lodge

CELEBRATE *the* BIRTHDAY of **ALEXANDER HAMILTON**

Thursday, January 11th, 2007

48 Wall Street, New York City

Please join us for this special event to honor Alexander Hamilton. The program will include a symposium featuring Hamilton scholars and authors, a cocktail reception and silent auction, the Museum's new Alexander Hamilton Room, period music, costumed actors, and behind-the-scenes tours of the Museum's new home.

Hamilton Symposium 5:00 – 6:15 pm
Cocktail Reception 6:00 – 8:00 pm
Silent Auction 4:00 – 8:00 pm

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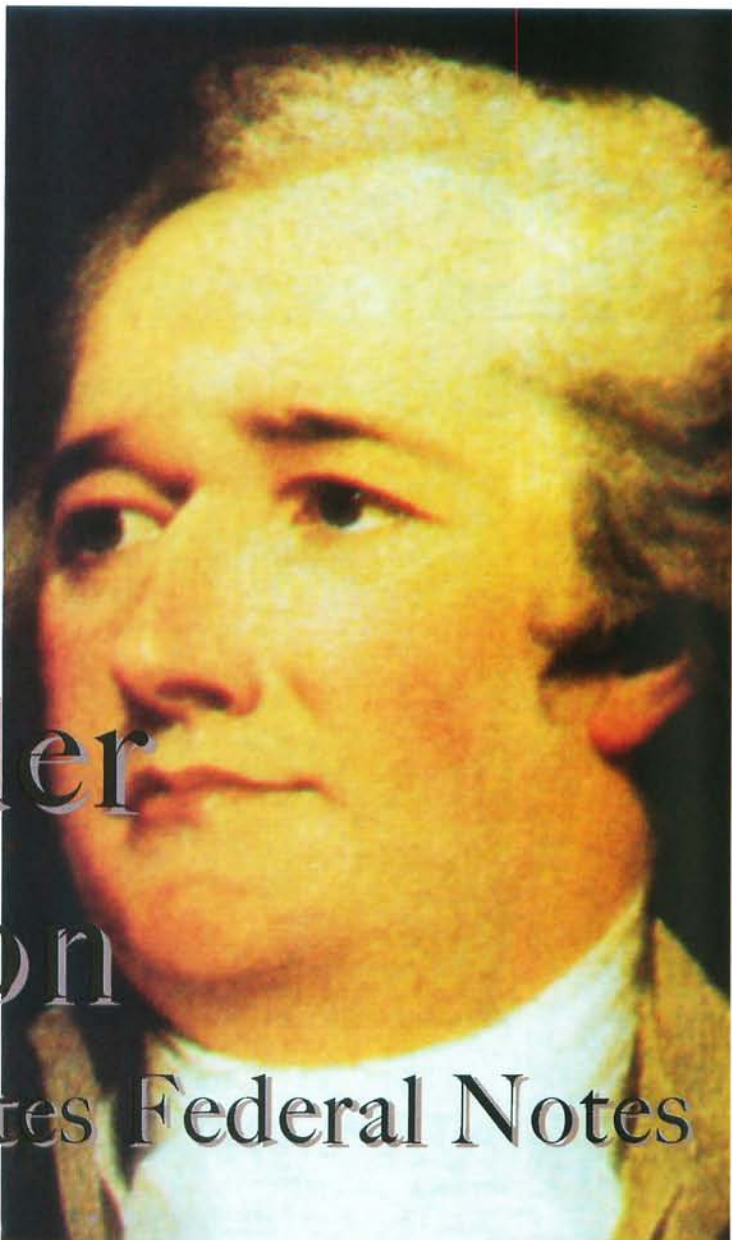
MUSEUM of AMERICAN FINANCE
In association with the Smithsonian Institution

48 Wall Street, New York, NY 10005

Depictions of Alexander Hamilton on United States Federal Notes

By Benny Bolin

Above: Alexander Hamilton
by John Trumbull

A portrait of Alexander Hamilton, a young man with light brown, wavy hair, looking slightly to the left. He is wearing a white cravat and a brown coat. The background is dark.

ALEXANDER HAMILTON WAS BORN ON January 11, 1757 (some authorities believe it was 1755), and died on July 12, 1804. Besides being the founder of the Federalist party, he was also a military officer, a lawyer and a delegate to the U.S. Constitutional Convention in 1787. He was the primary author of the *Federalist Papers* and a very influential politician. He was the first and most influential Secretary of the Treasury and responsible for the formation of the nation's banking system. Some historians feel that Hamilton was the founding father who advocated the principles of a strong centralized federal government and elastic interpretation of the Constitution most effectively. He was a supporter of a strong national defense, solid national finances based on a national debt that linked the national government to the wealthy men across the country, and a strong banking system.

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Hamilton on United States Federal Notes

Alexander Hamilton's portrait has been on no fewer than 14 different United States federal note types comprising Friedberg numbers and sub-varieties. He also graces many other fiscal documents, stamps, and obsolete notes.

Fr 1



\$5 Demand Note of 1861

Fr 1-5: These demand notes were the first circulating U.S. currency of the Civil War. Issued in denominations of \$5, \$10 and \$20, these notes are the only U.S. notes that do not have either the Treasury seal or the names of the Treasurer or Register. The engraver of the Hamilton portrait is unknown.

\$5 Legal Tender Note Series of 1862

Fr 61-64: These greenbacks were a true fiat currency of the Civil War. Issued in denominations of \$1 to \$1000, United States Notes were issued for more than a century. Design is similar to that of the Demand Note above.

Fr 41



\$2 Legal Tender Note Series of 1862

Fr 41/41a: Five issues of legal tender notes are also referred to as United States Notes. The first series \$2 note had a portrait of Hamilton on face. The portrait was engraved by Luigi Delnoce (left) and Joseph Proper Ourdan. Delnoce was born in Italy in 1822 and died in Melrose, NY in 1890. He began engraving in 1848 and furthered his education by studying with John Casilear from 1851-1855. He engraved for the Columbian Banknote Co. and the National Banknote Co in the 1860s. From 1870 until near the time of his death, he worked as an independent engraver for many firms including the BEP. Ourdan was born in New York City on February 16, 1828, and died in Washington DC on May 10, 1881. He learned engraving as an apprentice of



W. L. Ormsby and then worked for the Continental Banknote Co. and the American Banknote Co. He was one of the first engravers to join the BEP on October 20, 1862, where he eventually became chief of the engraving division. He finished his career with the National Banknote Co. which he joined in 1867.



Fr 128

\$20 Legal Tender Notes

Fr 127-147: Twenty-one different designs and seventeen different signature combinations make up this issue. The portrait of Hamilton on these notes was engraved by Charles Kennedy Burt (right). Burt was born in Edinburgh, Scotland, on November 8, 1823, and died in Brooklyn, NY on March 25, 1892. His engraving career started at age 12 in Scotland. In 1842 he came to New York and spent four years engraving *Da Vinci's Last Supper*. Burt worked for many banknote companies including Rawdon, Wright and Edson, Homer Lee and the American Bank Note Co. Although he was never employed by the BEP, he engraved for them independently for 20 years.



Fr 150

\$50 Legal Tender Notes

Fr 148-150: Four different Friedberg numbers (including #150a) make up this issue. All notes were signed by Chittenden and Spinner and had red seals. The portrait of Hamilton on these notes is the same as on the \$2 Legal Tender Notes (at left) and was engraved by Joseph Prosper Ourdan and Luigi Delnoce.

Fr 192



\$50 Compound Interest Treasury Notes

Fr 192: Compound Interest Treasury Notes are in fact Legal Tender Notes that accrued interest for three years after issue at a rate of 3% compounded semi-annually. At the end of the three-year period, the redemption of these notes amounted to \$59.70. This unique scenario was employed to finance the Civil War. The \$50 notes have one Friedberg number with two sub-numbers (Fr 192 a & b). These notes are all very rare today. The engraver of the Hamilton vignette on this and the following note is unknown.

\$50 Interest Bearing Notes

Fr 198: Interest Bearing Notes are said to be the rarest of all federal notes. They were issued to help finance the Civil War under the Act of July 17, 1861. The \$50 Interest Bearing Treasury Note with design similar to above (see cover) is a one-year note bearing five-percent interest. Only 3 are known.



Fr 212f

\$500 Interest Bearing Notes

Fr 212f: The notes with Hamilton's vignette are three-year notes that had an interest rate of 7.3% for three years which was the highest paid. They originally came with five coupons on the right side, one to be redeemed every six months and the final interest payment with redemption of the note itself. The vignette of Hamilton was engraved by Owen G. Hanks. Hanks was born in 1816 and died in 1865. He was a founder of Wellstood, Benson and Hanks and joined the American Banknote Company in 1859.



Fr 1133

\$1000 Federal Reserve Notes

Fr 1133: These notes were issued under the Federal Reserve Act of December 23, 1913. The notes were issued by the United States to the twelve Federal Reserve Banks to the member banks and then to the public. There are currently more than 130 of these notes in collections today. The portrait used on these notes was engraved by George Frederick Cumming Smillie (right). One of the more prolific and well known banknote engravers, Smillie was born in New York City on November 22, 1854, and died in Washington DC on January 21, 1924. He studied at the Cooper Union and the National Academy of Design in NYC and under Alfred Jones and James Smillie, his uncle. He worked for the American Banknote Company from 1871-1887 and completed his first engraving, *The Reapers*, for them at age 17 in October 1872. After the American Banknote Company, he worked for Canada Banknote Company, Homer Lee Banknote Company, Hamilton and Western Banknote companies. He gained employment with the BEP March 8, 1894, as Chief Engraver where he remained until he was fired in the BEP shakeup of 1922.



Fr 1218

\$1000 Gold Certificates

Fr 1218-1220: Gold Certificates are some of the most colorful and eye-catching of the federal currency. The backs are orange in color. Alexander Hamilton's portrait graces two different designs of \$1000 notes. The first is the Series 1882, with seven different signature combinations. The second is the Series 1907, with six different signature combinations and the single signature combination of the 1922 series. All notes in this series are listed in Friedberg as Rare, Very Rare, Extremely Rare, Unique or Unknown. The por-

trait used on the series 1882 notes was engraved by Charles Burt (see \$20 Legal Tender Notes). The portrait used on the 1907/1922 notes was engraved by G.F.C. Smillie.

Fr 1219



Fr 1706



Fr 2033E



Fr 2040A



\$10 Gold Certificates, Silver Certificates, National Bank Notes, Federal Reserve Bank Notes, & Federal Reserve Notes

Hamilton's portrait was used on small size \$10 notes of several classes, including Gold Certificates, Silver Certificates, National Bank Notes, Federal Reserve Bank Notes, and the only class of currency issued today, Federal Reserve Notes. His portrait on these notes was also engraved by G.F.C. Smillie.

New \$10 Federal Reserve Notes were issued with Series 1999, Series 2001 and Series 2003. When the BEP re-designed the \$10 notes and released Series 2004A on March 2, 2006, it had a re-engraved portrait of Hamilton by Kenneth Kipperman. Born in Poland in 1946, Kipperman's family immigrated to America, where he excelled in art classes, and got a 10-year apprenticeship as an engraver eventually securing work as a BEP engraver. Kipperman has engraved a large number of postage stamps for the BEP and was selected to engrave Hamilton's portrait on the ten dollar note.

Acknowledgments

I would like to thank Gene Hessler, whose research and books like *The Engraver's Line* contributed much to this study, and also for allowing use of the images of the engravers, and Heritage/Currency Auctions of America for allowing use of note illustrations. ❖

Mr. Hamilton's Bank By Sanford J. Mock

ON DEC. 16, 1794, AMERICA'S FIRST Secretary of the Treasury, Alexander Hamilton, wrote a \$100 check payable to himself, drawn on what might be called "his" bank, the Bank of the United States -- or as he abbreviated it "Bank of the U States." Note that the bank's address is Philadelphia, which was then the country's financial center and capital city.

Prior to the Revolution, there were no American banks. In Europe, banks started with the storing of gold and silver with metalsmiths, who also made loans.

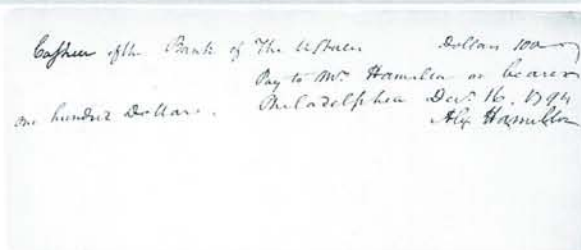
In the United States, banks were established because there was a shortage of funds. First came the Bank of North America, chartered in 1781 at the urging of Robert Morris. Two state banks, the Bank of Massachusetts in Boston and the Bank of New York, began operation in 1784.

When Washington became President in 1789, he appointed Hamilton, a Federalist party leader, Secretary of the Treasury. Congress asked for a plan to give "adequate support of the public credit," which, due to massive war debts, was a shambles.

Hamilton proposed the federal government assume all the debts incurred in the common cause of independence. To manage this burden, he offered a delayed repayment of interest and principal and a system of import and excise taxes. Facilitating the plan would require a national bank.

Opposition, led by Jefferson and Madison, was bitter. The measure passed only after a compromise.

Hamilton's influence with Washington was strong. Indeed,



Alexander Hamilton wrote this \$100 check payable to himself on Dec. 16, 1794.

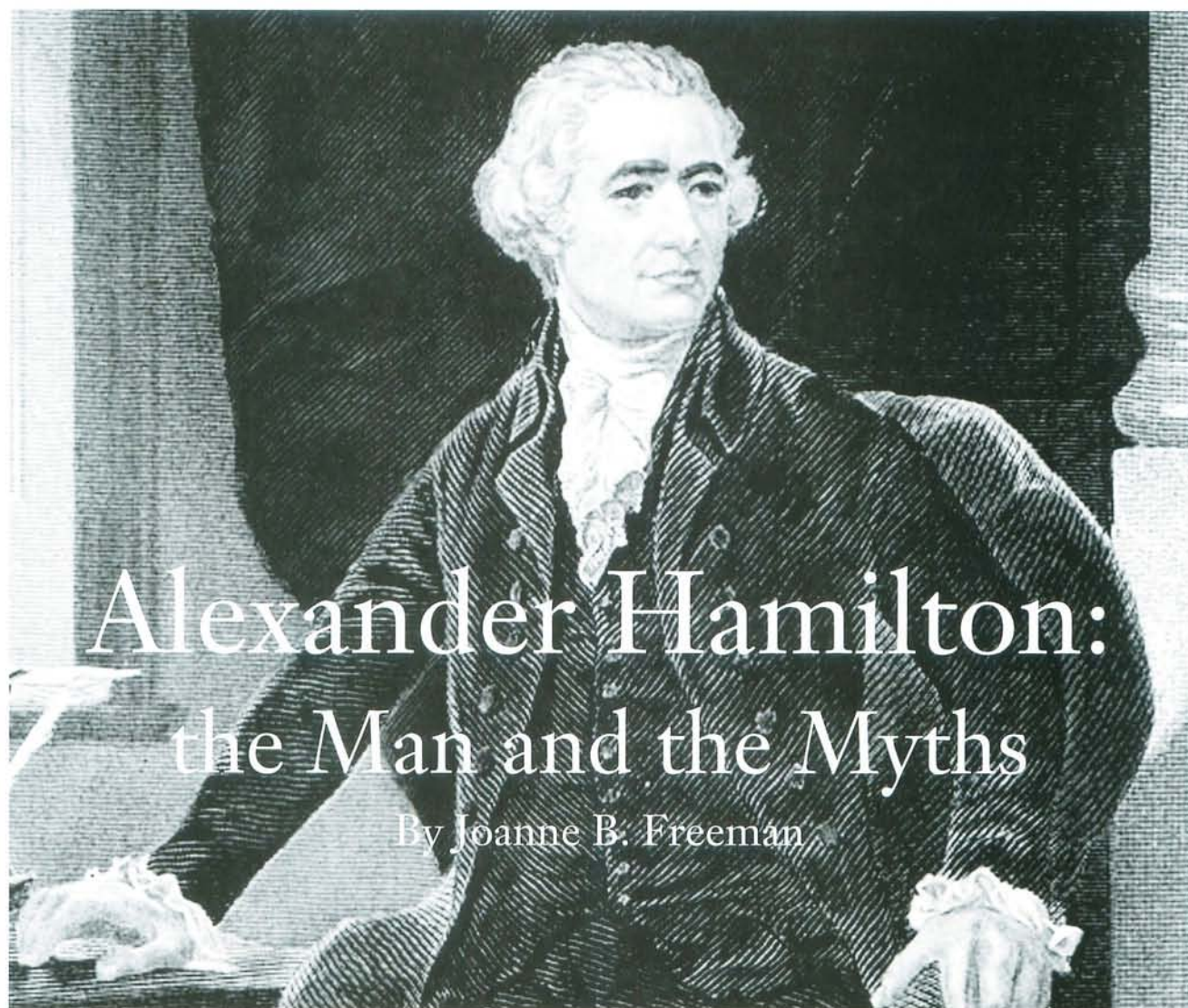
he fancied himself as the *ex-officio* Prime Minister in Washington's cabinet. He persuaded the President to sign the 20-year charter into law, arguing that the Constitution contained implied, as well as enumerated, powers. Therefore, the government had the right to establish a national bank to regulate the currency. This critical doctrine of implied powers formed the basis for interpreting and expanding the Constitution thereafter.

By December 1794, when he wrote the check, Hamilton had personal financial problems. His salary was only \$3,500 a year, not enough to support the life-style of a cabinet member with a large family.

Five weeks later, on Jan. 31, 1795, Hamilton resigned. He remained an active leader of the Federalist party and continued to be a close advisor to President Washington.

He returned to practice law in New York, where he quickly achieved prominence and was soon earning \$12,000 a year. Hamilton built a grand new home in 1802-1803, which he called "The Grange," on Amsterdam Avenue, between 141st and 145th Streets. Hamilton lived there only briefly before his demise in 1804.

Editor's Note: A financial executive, Sanford J. Mock owned this check at the time this article was written. ❖



Alexander Hamilton: the Man and the Myths

By Joanne B. Freeman

Alexander Hamilton, the man

ALEXANDER HAMILTON HAS ALWAYS BEEN controversial. One of the major figures in the creation of the American republic, Hamilton's bold actions and aggressive style rarely went unnoticed. During his relative short life of 49 years, he experienced both great public adulation, and vengeful public hatred.

There were certainly many reasons for Hamilton to be disliked. Many considered him arrogant; he always felt that his views were the only views worth noting, and he never altered his views once his mind was made up. He was somewhat vain; he spent quite a sum on fine clothing and luxuries, much to the dismay of his wife, the keeper of the family budget. He

Engraving from the original painting by Alonzo Chappel, shows Hamilton, the man, perhaps contemplating the forging of a new nation. (Library of Congress)

was volatile, flying into a rage at the slightest slur to his honor or reputation; it was this great concern for his reputation that led to his fatal duel with Aaron Burr. And he was always charming with the ladies; several contemporaries grumbled at the way Hamilton looked at their wives during parties.

Yet, even Hamilton's enemies could not deny his gifts. His brilliance alone would have served him well; even as a youth, he was recognized as a "man of genius." But this brilliance, combined with his seemingly endless energy, made Hamilton an unstoppable force. Thomas Jefferson, Hamilton's greatest political opponent, grumbled about Hamilton that "without numbers, he is a host within himself." And Jefferson, similarly, recognized that he was "disinterested, honest, and honorable in all private transactions." Hamilton's generosity of spirit earned him the devoted loyalty of a large circle of friends. In his law practice, he was so prone to refuse fees from clients of modest means that his friends chided him that someday, they would have to pay for his funeral. Their prophecy proved true.

Text from a speech delivered by Joanne B. Freeman, historian, to a meeting of the American Revolution Round Table, at Fraunces Tavern, Dec. 5, 1989.

Hamilton's physical appearance told much of his personality. Of small build, he always stood ramrod straight, was quick in his movements, and had an intense gaze which softened to quite another kind of gaze when there were ladies present. With his strong personality, and his great ambitions and energies, Hamilton lived an intense, crowded life.

He was born in the West Indies, into unstable and sometimes unpleasant circumstances. Born illegitimate to a Scottish father and a French Huguenot mother, he was orphaned by the age of 13, without inheritance, and without much hope for the future. As an apprenticed clerk in a shipping company, Hamilton soon proved talented and precocious to a remarkable degree. When Hamilton was only 16, his employer left the boy in complete charge of the company during an extended absence. Letters that have survived from this period show Hamilton giving orders to sea captains more than three times his age.

In true character, however, Hamilton craved advancement. In a revealing letter to a friend, he confessed, "I condemn the grov'ling . . . condition of a clerk. . . to which my Fortune. . . condemns me and would willingly risk my life tho' not my character to exalt my Station . . . I wish there was a war." He was not left yearning for escape for long. Friends on the island recognizing his talents, raised money for the boy to be sent to America for an education. Armed with letters of introduction, Hamilton set sail for the Atlantic seaboard.

Shortly after his arrival in New York, Hamilton traveled to Princeton, NJ. Characteristically impatient, he wanted to be allowed to advance through his course of study as quickly as

possible. The College refused this unusual request, but King's College, now Columbia University, granted Hamilton his wish. He began his studies in 1773, with the intention of perhaps becoming a doctor.

With the outbreak of the Revolutionary War, however, Hamilton soon became an impassioned participant in the colonies' struggle with their mother country, at first in print, and soon thereafter in person, with his enlistment in the army. Granted a commission as Captain of Artillery in New York, Hamilton led a company of men who were a model of discipline. Observers, however always remarked on the mere boy who led them.

Sometime towards the end of 1776, this slight, proud, energetic young man was brought to the attention of Commander-in-Chief George Washington. Always desperately in need of young men of ability who could write, General Washington invited Hamilton to join his military family as an aide-de-camp. Although increasingly anxious for a chance to win glory on the battlefield, Hamilton served in this capacity for four years, leaving only when he could no longer stand his office-bound duties, although he returned briefly to lead a command at Yorktown.

After the war, Hamilton qualified himself to practice law in New York, preparing for and passing the bar exam in an impressive three months. He was soon one of New York's leading lawyers, along with an acquaintance named Aaron Burr. Hamilton served briefly in the Continental Congress and soon thereafter, in 1786, was named to serve in the Annapolis Convention.

The town of Christiansted, St. Croix, where Hamilton spent the later part of his childhood and found work as a shipping clerk.
(Library of Congress)



There, with the advice of James Madison, he drafted the report resulting in the Federal Convention of 1787, convened to create a national government that was stronger and more capable of governing the new nation than the Articles of Confederation had been. Throughout his life, Hamilton remained an outspoken advocate of a strong national government, capable of uniting the American nation, and of earning the respect of foreign nations.

Hamilton was uncharacteristically silent during the Federal Convention. He was outvoted by the other two New York delegates, John Lansing Jr. and Robert Yates, both not particularly anxious for a stronger national government.

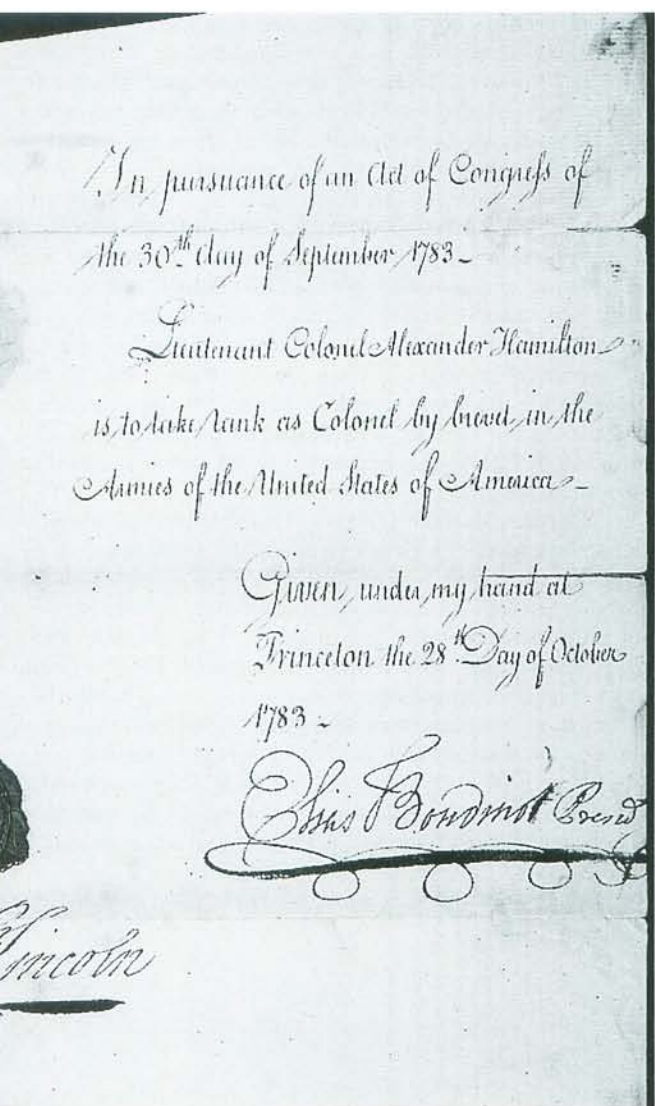
Hamilton's major contribution to the creation of the Constitution was *The Federalist*, a collection of essays meant to explain and defend the completed Constitution. These essays, written by Hamilton, John Jay of New York, and James Madison of Virginia, are still considered the finest commentary on the American Constitution.

By 1789, with the ratification of the Constitution, the new system of government had to be put into effect. Washington was the unquestioned choice for the position of President. To serve as his Treasury Secretary, he chose thirty-four-year-old Hamilton. Hamilton took on the difficult task of solving the new nation's financial problems. Throughout his five years as Treasury Secretary, Hamilton made bold and controversial plans for managing the nation's debts, both foreign and domestic; struggled to create a national bank, encouraged domestic manufacturing, and consistently fought to strengthen what he felt was a dangerously weak national government.

Above all, he desired stability, security, and honor for the nation, and he viewed his establishment of a national economic system as a method of achieving these goals. As he put it, "Credit public and private is of the greatest consequence to every country. Of this, it might be emphatically called the invigorating principle. No well informed man can cast a retrospective eye over the progress of the United States, from their infancy to the present period, without being convinced that they owe in a great degree to the fostering influence of credit their present mature growth."

Through sheer force of character and strength of vision, Hamilton became the major architect of America's national identity. When he stepped down from his position in 1795, the United States could truly be considered a nation, and much of the credit for this achievement goes to Hamilton.

Throughout the remainder of Washington's Presidency, Hamilton continued to serve as an unofficial advisor; their correspondence during this period was lengthy and frequent. When John Adams became President, Hamilton continued to serve as an unofficial advisor, but this time, without the knowl-



Alexander Hamilton's military commission as Colonel in the Armies of the United States of America, October 28, 1783, signed by Elias Boudinot. (National Archives)

edge of the President. The members of Adams' cabinet repeatedly asked Hamilton -- a private citizen -- for advice on matters ranging from foreign affairs to finance, and Hamilton was always more than happy to comply with the detailed instructions. When Adams discovered Hamilton's influence, he was outraged. Of Hamilton, he later said, "all sovereignty then existing in the nation was in the hands of Alexander Hamilton . . . I was as President a mere cipher."

Although briefly serving as Inspector General under George Washington once again when war threatened with France, Hamilton's last years were mainly spent earning a substantial salary practicing law. By 1799, he had enough capital to begin construction of a house in the country, located today on 141st Street and Convent Avenue in New York City. By this time his family consisted of seven children, with another soon to follow.

But, although surrounded by his family, and successful in his law practice, Hamilton was far from content. Feeling increasingly detached and distant from the country he had helped to shape, he despaired for the future of America -- a

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To Alexander Hamilton Esquire

New York May 5 1789.

Dear Sir,

*May you to accept my unforgotten thanks
for your friendly communications of this date - and
that you would permit me to interest a continuation
of them as occasions may arise - The manner chosen
for doing it is most agreeable to me.*

*It is my wish to set right - if I can, the
head, and not the heart, shall with justice be chargeable
with sentiments of sincere esteem and regard.*

I am dear Sir,

Your obedient servant

G. Washington.

George Washington to Alexander Hamilton, May 5, 1789. (Library of Congress)

future in which his influence did not seem to play a major role. Anxious about his country's fate, Hamilton could not refrain from speaking out against perceived threats to the public good.

And, in the eyes of Alexander Hamilton, Aaron Burr, placed in any position of power, was a definite threat to the public good. By 1804, frustrated after 15 years of opposition, Burr found a means of challenging Hamilton to a duel. Hamilton, concerned with his reputation, could not ignore the challenge. The two men met on the dueling grounds of Weehawken, NJ on July 11, 1804. Two shots rang out. Hamilton fell, mortally wounded. After suffering in great agony, he died the next day.

Alexander Hamilton, the myths

Within Hamilton's lifetime, many of his opponents made great efforts to invent highly unflattering stories about him. Even some well-meaning friends, lacking knowledge

about parts of Hamilton's life, contributed to the many myths that exist about him. Over the years, as Thomas Jefferson has grown to become America's god of democracy, Alexander Hamilton, Jefferson's political opponent, has been cast in the role of the "villain," a man without scruples, an elitist who hated "the people." Hamilton's tendency to try too hard, say too much, and push too far alienated many, making these myths more believable. But buried beneath the legends and stories lies the real Alexander Hamilton.

THE FIRST MYTH concerns Hamilton's birth. Hamilton's childhood invites myth, because we know very little about it. Hamilton himself almost never referred to it. Myths contend that Hamilton was black, or Jewish, or the illegitimate son of George Washington.

None of these suggestions is true. Myths about Hamilton being black or Jewish stem from confusion surrounding Hamilton's mother. Rachel Faucette was an independent, strong-willed woman, born to French Huguenot parents who had fled France to settle in the West Indies. Her birth in the West Indies leads many to assume that she was black, although she wasn't.

She was married at a young age to a man named Levine, who was probably Jewish. (This is at the heart of Hamilton's supposed Jewish background.) Levine mistreated Rachel; he had her imprisoned for whoring (although we have no clue as to whether Rachel was indeed guilty of

the crime). When she was released she fled Levine, moved to another island, and soon met James Hamilton, the fourth son of a Scottish lord. He had come to the West Indies to make his fortune in trade.

Rachel and James lived together for many years in increasing poverty. On one rare occasion, Hamilton describes his father as being somewhat lazy; he failed miserably in his attempts at business. Rachel and James had two sons, James and Alexander; they may even have considered themselves legally married. However, in the years following Rachel's flight from her husband Levine, he had obtained a conditional divorce that prohibited Rachel from remarrying. So if she had married James Hamilton, it was not binding.

If she hadn't, the result was the same. Their two children James and Alexander Hamilton, were illegitimate. The elder James Hamilton later abandoned his family for unknown reasons, and Rachel died shortly thereafter. Rachel's meager belongings were claimed by the son of her first husband, Levine, and the two boys were left with nothing. It is no wonder that Hamilton was silent about his origins.



Leaders of the Continental Congress, John Adams, Robert Morris, Alexander Hamilton and Thomas Jefferson. Engraved by A. Tholey. (Library of Congress)

Regarding George Washington's supposed parentage of Hamilton, this stems from Washington's presence in the West Indies in the period that Hamilton was born. Washington, however, was never in the part of the West Indies where Rachel lived. This myth probably gained popularity because it explained, in some people's minds, why George Washington thought so much of the supposedly corrupt, self-serving Hamilton. Hamilton was, after all, Washington's son. Others might have looked wistfully toward this myth as a means of endowing Hamilton with a "great man" for a father.

Although Hamilton almost never referred to his childhood or family during his lifetime, some few facts about his origins did become common knowledge, much to his humiliation. By the mid-1790s, when the Jefferson/Hamilton political struggle was at its height, Jeffersonian newspapers were full of descriptions of Hamilton as a bastard, and repeated highly unflattering comments about his mother.

John Adams, who grew to detest Hamilton, often referred to him as "the creole bastard" or the "bastard brat of a Scots peddler." It is this truth -- the memory of his youth spent in relative poverty, and the knowledge of his illegitimacy -- that made Hamilton so sensitive about his status as a gentleman and led him to crave acceptance by high society.

MYTH NUMBER TWO once again involves George Washington, who was perhaps the most significant figure in Hamilton's life. During Hamilton's life and after, stories cir-

culated that Hamilton had palmed himself off on Washington, flattering his way into Washington's military family, but that Washington soon grew tired of the young man and threw him out of his military family in frustration.

This myth stems from Hamilton's notorious fight with General Washington. During the Revolutionary War, Hamilton became extremely frustrated with Washington. After repeatedly asking Washington for a command over the course of a year, and repeatedly being turned down, Hamilton grew frustrated and insulted at not getting what he felt he deserved.

One day, Hamilton was on his way to deliver a dispatch. Washington, meeting him on the stairs, told Hamilton he needed to see him immediately. Hamilton assured Washington that he would be right there, continued down the stairs, handed the dispatch to another aide with his instructions, and was then accosted by the ever-earnest Marquis de Lafayette. Lafayette burst into a stream of conversation, which Hamilton later said he interrupted almost rudely, so he could return to Washington.

Turning from Lafayette, Hamilton found Washington glowering at him from the top of the stairs. Washington reprimanded Hamilton, saying, "Col. Hamilton, you have kept me waiting at the head of these stairs these ten minutes. I must tell you, Sir, you treat me with disrespect." The touchy and frustrated Hamilton responded, "I am not conscious of it, Sir,

but since you have thought it necessary to tell me, so we part," and he left.

Washington soon sent an offer of reconciliation to Hamilton, but Hamilton took their minor disagreement as his opportunity to leave what had become a hated position. Still seething and resentful, Hamilton sent back a stiff, cold reply, stating that his resolution was "not to be revoked," and that an interview with Washington would be "mutually disagreeable." After waiting for a replacement for himself at headquarters, he left.

It is clear from this story that Hamilton certainly did not leave at Washington's request. He was actually all that Washington could want in an aide: he was quick; he wrote well; he spoke French fluently; he could entertain visiting dignitaries; and he was capable of taking in the whole of the American campaign and offering sound advice to his General.

What drove Hamilton to leave headquarters was his craving for glory on the battlefield. When Hamilton later heard of this rumor of his being cast out of Washington's family, he wrote to Washington, asking him to correct this falsehood in writing, and confessing "that this . . . hurt my feelings." Washington replied, with admirable restraint, that "your quitting was altogether the effect of your own choice."

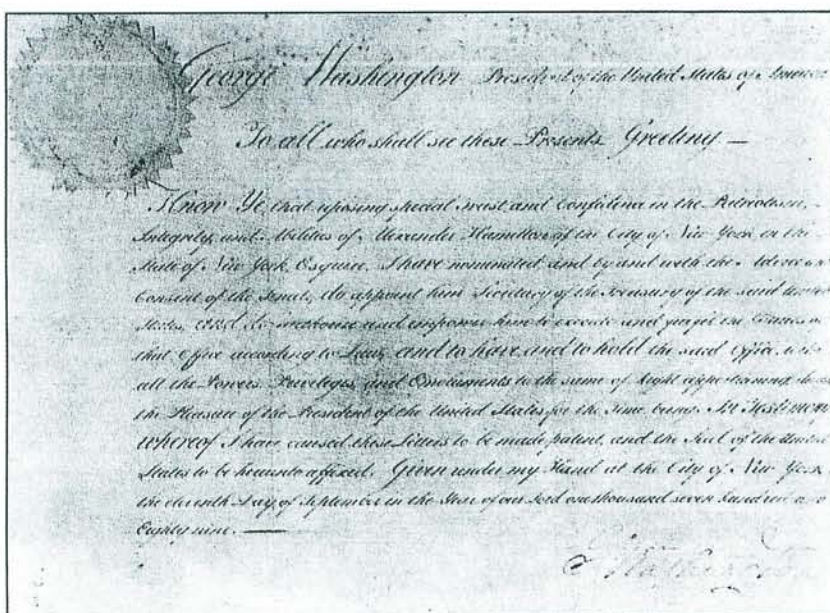
Throughout his life, Hamilton was constantly being accused of being completely self-serving, as the previous myth seems to imply. He was certainly highly ambitious and always concerned with himself, his importance and his reputation. But he was also completely committed to the American nation, and in his eyes his actions were, above all, for the public good.

Washington, when confronted by the accusation that Hamilton was dangerously ambitious, replied, "By some, he is considered as an ambitious man, and there a dangerous one. That he is ambitious I shall readily grant, but it is of that laudable kind which prompts a man to excel in whatever he takes in hand."

Indeed, it was blind ambition in Aaron Burr that led Hamilton to fear and oppose him. Hamilton recognized in Burr the same driving ambitions that he recognized in himself. But to Hamilton, Burr only did what served Burr best. As Hamilton put it, Burr "is for or against nothing, but as it suits his interest or ambition. Determined to climb to the highest honors of the State, and as much higher as circumstances may permit, he cares nothing about the means of effecting his purpose. . . I feel it a religious duty to oppose his career."

MYTH NUMBER THREE is perhaps the most accepted myth concerning Alexander Hamilton: that he was a monarchist, anxious to establish the equivalent of a king in America. During the Federal Convention, Hamilton was outnumbered in the New York delegation by two decidedly anti-national delegates.

Rendered essentially useless by their opposing votes, Hamilton remained uncharacteristically silent for much of the convention. But on June 18, with the Convention seemingly hesitating to create a strong national government, Hamilton



The certificate of Hamilton's official commission as Secretary of the Treasury, signed by George Washington September 11, 1789. (Library of Congress)

rose and delivered a marathon six-hour speech detailing his thoughts on a new government for the American nation.

He openly professed his admiration for the British system of government: its balance; its strength; and its structure. He recognized, however, that the American people would only accept a republican model of government, a government deriving its authority from the people, and in which no one would hold political office as a matter of right or ownership.

His pro-British statements were risky after America's recent war against what was perceived as a tyrannical king. He made matters worse by advocating the creation of an executive who served for life; to him, this would promote stability and would prevent the executive from having to continually pander to the public to win re-election.

In later years, when Hamilton became a more controversial political figure and a recognized advocate of a strong national government and a strong executive, political opponents, and even friends, used this evidence, combined with Hamilton's continued skepticism about the durability of the American republic, to accuse him of being a monarchist.

Hamilton fought this perception throughout his life. To him, if the executive was elected, could be removed by the people's representatives, and could not pass his office on to his descendants, he was not a monarch. And although he continually fought to strengthen the powers of the government, Hamilton never felt that he had strayed from the principles of a republic.

To his friends, he admitted having some doubts. He once wrote, "I said that I was affectionately attached to the republican theory. This is the real language of my heart, which I open to you in the sincerity of friendship; and I add that I have strong hopes of the success of that theory, but in candor, I ought also to add that I am far from being without doubts. I consider its success as yet a problem. It is yet to be

determined by experience whether it be consistent with the stability and order in government which are essential to public strength and private security and happiness." Doubts he may have had, but he never sought to do anything but preserve the American republic, no matter what he saw as its flaws.

MYTH NUMBER FOUR involves two statements that Hamilton supposedly made. The first one occurred during the Federal Convention, after Benjamin Franklin suggested that each session begin with a prayer, a suggestion on Franklin's part probably meant to cool some rather heated tempers and put the Convention's proceedings in perspective. Supposedly, Hamilton rose at this point, and opposed Franklin's suggestion, concluding that "he did not see the necessity of calling in foreign aid." James Madison, although Hamilton's political opponent, later denied that this ever occurred and he was the Convention's unofficial secretary, noting down all the proceedings in his meticulous notes.

Hamilton, however, was certainly capable of making scandalous and ill-thought-out jokes. In a letter I recently discovered in the Hamilton papers, Hamilton is writing to Gouverneur Morris, a friend who had a renowned wit, which often strayed towards the scandalous. Hamilton, when writing to Morris, always assumed a witty, slightly scandalous tone. In this particular letter, Hamilton states that he is writing on a Sunday, a day when he should be in church. He then obviously proceeds to make some sort of joking comment about God, a comment which, unfortunately, anxious Hamilton descendants ripped off the page to protect his reputation for posterity.

Hamilton's other supposed comment is better known. At one point in his career, in response to someone's comment in favor of the "people," Hamilton supposedly responded, "the people? Your people, sir, are a great beast!" This comment has been cited as proof of Hamilton's desire to remove the government from the reach of the people and as proof of his interest in nothing but himself and the American elite.

Hamilton certainly considered himself to be of the upper class, and his aristocratic tastes were apparent in his clothing, his manner, and the company he kept. Unlike Jefferson, he was never successful at communicating with the "common man." But he always felt that his actions were in the best interest of the nation at large. Although he was openly concerned with the interests of the wealthy and powerful, it was because he felt it necessary to attract their money and power to support of the weak, new American government.

Even his constant struggle to strengthen the national government, an effort that Jefferson considered as aimed at removing the government from the reach of the people, was

Treasury Department,

January 2, 1792.

(CIRCULAR)

Sir,

It will prevent injury from accidents if the Collectors of the Customs, in all cases of the delivery of a Register to be cancelled, shall cut a note in the like manner as is directed in the circular letter of the 21st of September last, in regard to the Registers therein mentioned.

All certificates of Registry delivered up at any office, wherever issued, are hereafter to be transmitted to the Treasury, with an endorsement of the time and place of delivery and the cause of surrender, whether it be a transfer of property or any other.

Having in consequence of enquiry, instructed several of the Collectors that the annual compensations allowed in the 54th section of the last Collection Law to themselves or the Surveyors might be paid out of the monies in their hands, I think it best to make the instruction circular. The officer entitled to the compensation will make out an account for the compensation due up to the first instant, which may be discharged out of the monies arising from Import and Tonnage, and thereafter may be so paid quarterly. The commencement of the allowance is on the first day of October 1790.

The Bank of the United States being now in operation I have to desire that you will extend my instructions of the 22d of September 1789, in regard to receiving the Cash Notes and Post Notes of the Bank of North America, to the Cash Notes and Post Notes of the Bank of the United States, which are to be received and exchanged in like manner. The Directors have been requested by me to transmit you the signatures of the President and Cashier, as was done in the case of the Bank of North America.

Circumstances of the utmost importance render it necessary that the quarterly returns up to the 31st of December 1791, be made with all possible expedition, particularly those relative to Import and Tonnage.

I am, Sir,

Your obedient servant,

A Hamilton

The Collectors of the Customs.

Alexander Hamilton's circular to Collectors of Customs, Jan. 2, 1792, regarding receipt of "Cash Notes" and "Post Notes" of the Bank of North America and the Bank of the United States. (Library of Congress)

intended by Hamilton to promote a government strong enough to protect the people's liberties, and prevent the majority from crushing the rights of the minority.

Hamilton's comment about the people being a "great beast" was actually first popularized by Henry Adams, a descendant of John Adams. For generations, the Adamses had persisted in a family hatred of Hamilton. Henry Adams was predisposed to believe the story, but had very little support for it. He got it from someone, who got it from someone, who got it from someone.

MYTH NUMBER FIVE is the belief that Hamilton was thoroughly corrupt, financially benefitting from his position as Treasury Secretary and leaking Treasury secrets to his wealthy speculating friends. As far as Hamilton's own finances were concerned, not only did he never financially gain from his position, but he actually resigned because his low salary as Treasury Secretary had almost bankrupted him, and he needed time to attend to his family's finances earning some money while practicing law.

As Hamilton put it, "Our finances are in a most flourishing condition. Having contributed to place those of the Nation

on a good footing, I go to take a little care of my own; which need my care not a little."

Hamilton often said far too much, and he might, on occasion, have revealed too much while conversing with friends. And there were, unfortunately, occasions when his staff leaked information. But I have not seen any evidence that Hamilton consciously gave his supporters illegal advice or funding. Even Thomas Jefferson stated that Hamilton was not a corrupt individual.

Hamilton was actually almost careless with his own finances. His wife, Elizabeth, managed their household budget, and as one friend said, deserved "as much merit as our treasurer as you have as treasurer of the wealth of the United States." Hamilton readily admitted to Elizabeth before their marriage that "an indifference to property enters into my character too much," and asked her if she were prepared to "relish the pleasure of being a poor man's wife." A few days after he retired as Treasury Secretary, he even wrote to his bank admitting that he had lost his bank book, and didn't know how much money he had in his account.

However, Hamilton didn't help his own case very much. In 1792 Hamilton's ill-timed sense of humor led to an accusation that he was bribing a Congressman. A particularly cantankerous Representative named John Francis Mercer was owed money by the government for a horse which had been shot out from under him during the war. Hamilton and Mercer did not like each other at all, and most probably Hamilton was somewhat slower in filing Mercer's claim than he might have been with someone else.

Hamilton, as I mentioned before, was very conscious of his own importance, and could not resist putting others in their place. One day, while on the way to dinner with a group of friends, Hamilton was confronted by Mercer on the street. Mercer accused Hamilton of not handling his request because of personal dislike. In a later account of the incident, Hamilton reflected that at the moment, he had two choices before him. He could either be greatly offended -- the more characteristic response -- or he could make a joke and pass on. Hamilton chose the latter course.

In response to Mercer's comment, Hamilton said, "There is one expedient which will shorten the discussion very much. If you will vote for the assumption tomorrow, or if you will change the vote you gave upon the assumption today, we'll make the thing very easy, we'll contrive to get your account settled."

In Hamilton's later account of this incident, he remarked that everyone laughed at this point, even Mercer himself. However, Mercer began spreading stories about Hamilton's attempt to bribe him, and eventually Washington found out, and demanded an explanation from Hamilton, who was forced to admit that he had made a joke, admittedly a poor one. Mercer and Hamilton almost fought a duel over this

incident.

MYTH NUMBER SIX is the belief that Hamilton was Washington's mentor, secretly running the government, telling Washington what to do, and using Washington's reputation to wipe away stains left in his wake. There is no doubt that Hamilton was a prime force in the Washington administration. Washington trusted Hamilton and gave him far more free rein than he did to Jefferson or other cabinet members.

But part of the reason for Washington's lesser involvement in Hamilton's affairs is that Washington knew far less of finances than he did of foreign affairs, Jefferson's realm. And although Hamilton continually advised Washington on economic matters and much more, Washington took his time making decisions, weighed all sides of an issue, and came to his own conclusions. One of Washington's greatest skills was his ability to find and use men of great talent to counsel him.

When one looks carefully at Washington's relations with his Treasury Secretary, one finds that, although Washington followed Hamilton's counsel much of the time, Hamilton most certainly did not have free rein. At one point, Hamilton was accused of misapplying Treasury funds. His defense, when confronted by a congressional investigation, was that Washington had verbally agreed to Hamilton's



Alexander Hamilton addressing three judges. (Library of Congress)

actions. Washington professed no memory of an oral authorization, although he assured Hamilton that "I do not doubt, that it was substantially as you have stated it."

Hamilton was quite wounded by what he saw as Washington's lack of support. But even more worrisome to Hamilton was the fact that Washington showed a marked increase in attention he gave to Hamilton's financial dealings after this point. Shortly thereafter, Washington asked Hamilton if he had followed through on a recent request, and Hamilton who had been making plans quite different from Washington's original instructions, replied, "I had entirely forgotten the existence of your . . . instructions."

Hamilton continued to resist Washington's instructions, and Washington was forced to insist that Hamilton comply. So, Washington was not a sleeping President, and Hamilton

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was not the secret President, at least not under George Washington.

MYTH NUMBER SEVEN involves women and scandal. Hamilton was always something of a ladies' man, particularly noted for his gallantry. Abigail Adams, in keeping with her New England Puritan background, was scandalized by Hamilton's behavior at parties; she described him as entering parties and immediately scanning the room for the most attractive women to flirt with.

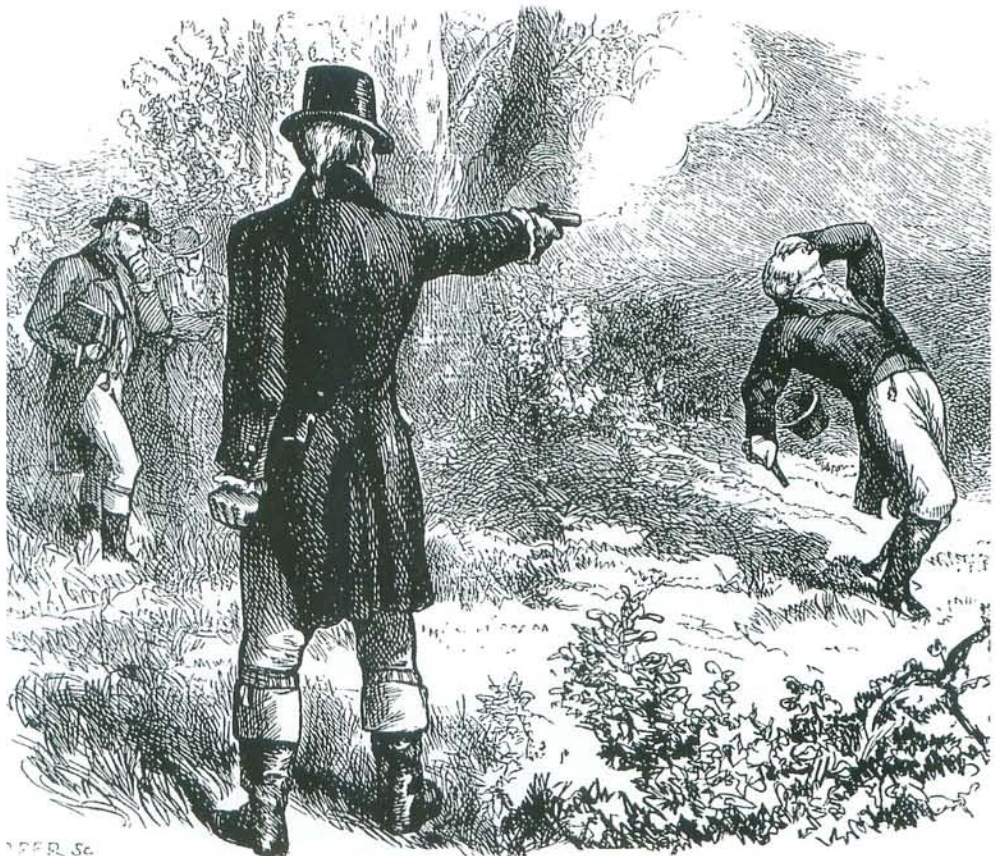
A scandalous rumor states that Hamilton had an affair with Angelica Church, his wife's sister. Elizabeth Schuyler, Hamilton's wife, was a stable, down-to-earth, unpretentious woman, the perfect match for the high-strung, unpredictable, emotional Hamilton. Elizabeth's sister Angelica was a noted beauty, flirtatious, highly intelligent, and a prominent society figure.

The surviving correspondence between Hamilton and Angelica shows that they flirted quite a bit, even to the point that Angelica was prompted to tell Hamilton, in a very delicate way, to cool off. But no evidence exists to suggest that they went any further. And surprisingly, some of Hamilton's more flirtatious letters have postscripts from Elizabeth on them, or passages written by Elizabeth. No matter how foolhardy Hamilton was, he would not have shown these letters to Elizabeth if he had any fear of revealing a dread dark secretive affair with her sister. And the two families were always the closest friends.

This is not to suggest, however, that Hamilton was not capable of adultery. When, in 1791, the attractive Maria Reynolds came to his office, pleading for help after her husband had abandoned her, Hamilton gave her far more than money. As he put it, "some conversation ensued from which it was quickly apparent that other than pecuniary consolation would be acceptable." He had an affair with her that lasted over a year, involving the payment of blackmail money to Maria's husband, who appeared on the scene shortly after their first meeting.

Maria's husband later used these blackmail payments to help Hamilton's political opponents accuse him of misusing Treasury funds. To defend his public reputation, Hamilton wrote a pamphlet in which he denied the accusations regarding Treasury funds, and instead, confessed in great detail to an "amorous connection" with Maria Reynolds. Years later, political opponents were still referring to Hamilton as Mrs. Reynolds' lover.

This sketch of Hamilton's life and the myths surround-



An engraving depicting the duel between Aaron Burr and Alexander Hamilton. (Library of Congress)

ing it is scarcely capable of portraying the true Alexander Hamilton. For, besides being a pivotal historical figure who took part in the creation of our Constitution, fought to include New York in the new constitutional government, saved the United States from financial ruin, and left his imprint on the identity of the America nation, Hamilton was also a man who kissed his children, talked too much, told bad jokes, feared humiliation, worried about supporting his family, and above all, was as unsure of the outcome of his actions as we are of ours.

Myths dehumanize, removing the uncertainty, the excitement, the ambiguities, and the emotions of the unfolding of history. We seek to clearly identify the "good" and the "bad." We try to create better, more logical reasons for the events of history. We endow historical figures with more knowledge, absolute confidence, and ulterior motives than they ever possessed.

But what is truly fascinating about Hamilton, Washington, Jefferson, and their contemporaries is that they were real people, with their good and bad sides, living during a turbulent period, blessed with the talents to take part in the creation of a nation, but like any other person faced with challenge, unsure of how to proceed and doubtful about the success of their actions. The history of the United States is a human story. To truly understand it, it is important to preserve its humanity.

Editor's note: This article first appeared in *Financial History* magazine, issues 41-42. ♦

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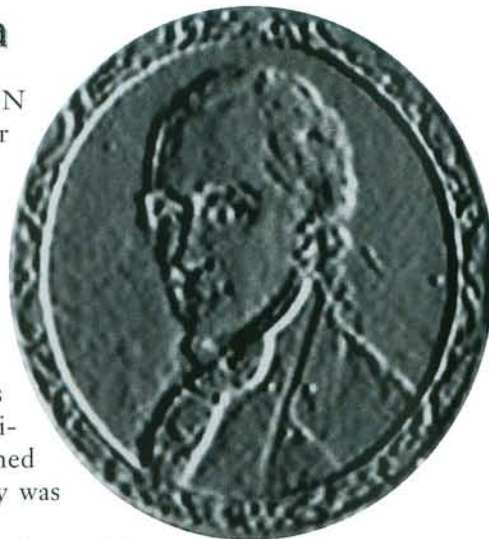
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Bank of Hamilton, Ohio Gone But Not Forgotten

By Wendell Wolka

An embossing of Alexander Hamilton as engraved by Underwood, Bald & Spencer (detail from Bank of Hamilton \$5 note).

OHIO WEIGHED IN ON the honoring of Alexander Hamilton by naming the county seat of Butler County after him. General Arthur St. Clair, the first Governor of the Northwest Territory, had established Fort Hamilton (also named after Alexander Hamilton) on the site in 1791. The town of Hamilton was incorporated in 1810. Some of the earliest settlers were veterans who remained when General Anthony Wayne's army was disbanded.



Banking came to Hamilton in the form of the Bank of Hamilton which was given a charter by the state legislature on December 19, 1817. The bank's capital was set at \$300,000. The stock subscription books were opened in the spring of 1818 and sufficient subscriptions were received to commence operation of the enterprise. The Board of Directors met for the first time on July 11, 1818, and named John Reily as President and William Blair as Cashier. The bank began its career in the humble surroundings of the front room of Mr. Blair's house.

The capital stock paid into the bank was \$33,062.68, only a small portion of the authorized amount, but the bank continued to discount and do a small but respectable business for a time. The bank's

timing however was -- to say the least -- "unfortunate."

Following a period of rapid expansion after the War of 1812, a ruinous contraction in credits and prices of both commodities and land occurred in 1818-1819 as banks struggled to return to a specie paying basis (generally bank notes were intended to be convertible into gold or silver coin except when specie payments were suspended due to times of financial stress). Debtors found that the means for paying their debts had become depreciated and that they were therefore financially "embarrassed."

To compound the problem, the Bank of the United States began a severe contraction of credit to the western banks in the summer of 1818. In an attempt to meet the demands made upon them, the banks began to call in loans which, in turn, could not be paid, and the avalanche into recession accelerated. Such specie as did exist soon was drained by additional calls from the Bank of the United States to the western banks to settle accounts.

As a result, the banks of the State of Ohio, and the banks in the West



An early scrip note issued by the Bank of Hamilton, Ohio, issued in 1820, prior to its fourteen year hiatus from 1821 to 1835.

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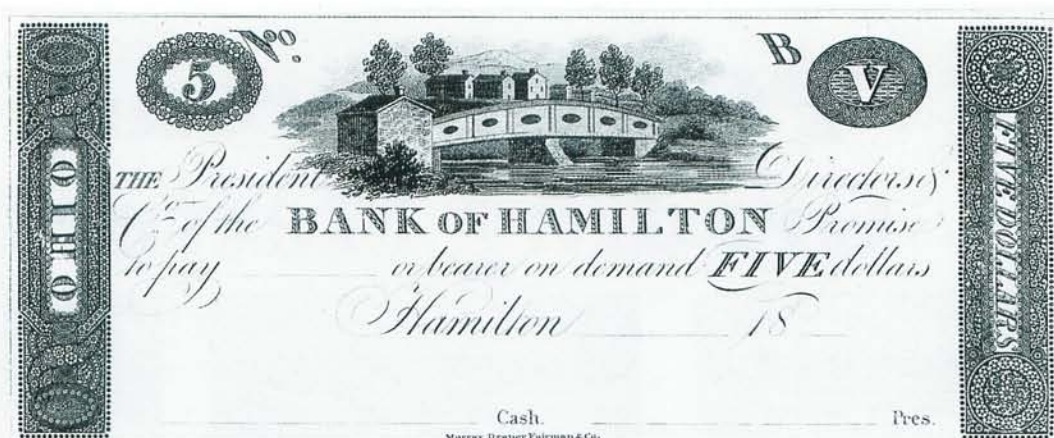


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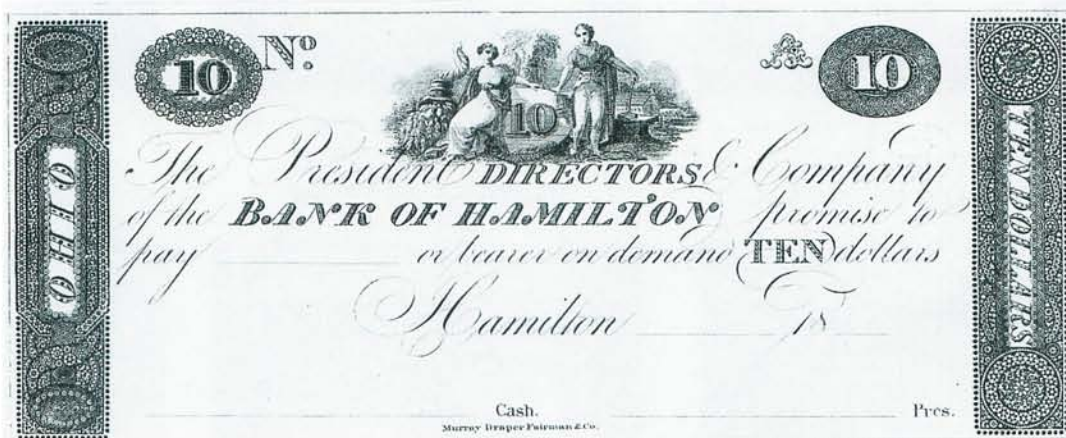
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Proof of a likely
pre-1821 \$5 issue of
the Bank of
Hamilton.



Proof of a likely
pre-1821 \$10 issue
of the Bank of
Hamilton.



generally, suspended specie payments in early November, 1818, with the Bank of Hamilton doing so November 9.

In May, 1819, the Farmers and Mechanics Bank of Cincinnati, as the result of an agreement with the Treasury Department, became a depository of government funds on which they resumed specie payments. Under these circumstances a proposal was made to the Bank of Hamilton on May 27, 1819, by their agent, Nicholas Longworth, for a loan of \$10,000 in specie, in order to enable the Farmers and Mechanics Bank to carry on business and carry out its agreement with the Treasury Department. The Cincinnati firm gave assurances that they were to receive a permanent deposit from the government of \$100,000 which, it was stated, exceeded the amount of their paper in circulation.

Consequently they needed this "bridge loan" for a short period. The Farmers and Mechanics Bank stated that the specie could be returned on a moment's notice and not be affected by any amount of the notes of the Bank of Hamilton which they might have in hand at the time. It was also proposed to make the notes of the Bank of Hamilton receivable in the land office, if desired, on terms that would be mutually satisfactory. On the general resumption of specie payments the Farmers and Mechanics Bank proposed to reciprocate the accommodation in any way that might be most advantageous for the Bank of Hamilton.

The proposition was accepted by the directors of the Bank of Hamilton, and the sum of \$10,000 in silver was paid over to the Farmers and Mechanics Bank on June 15, 1819. A few weeks afterwards the Farmers and Mechanics Bank suspended specie payments and closed its doors. Needless to say, this alarming turn of events initiated an immediate exchange of correspondence with the Farmers and Mechanics Bank on the subject of the loan which they



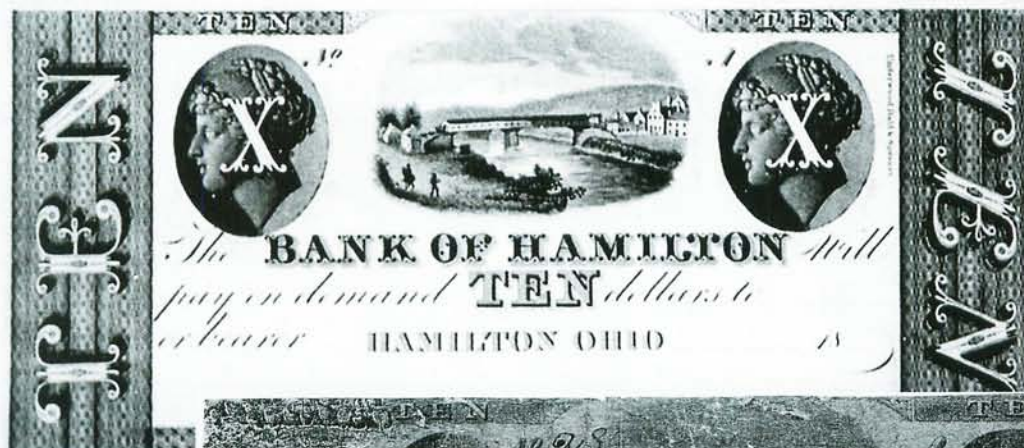
were suddenly unable to return or secure.

Finally, in May, 1820 a deed was made by the Farmers and Mechanics Bank to the Bank of Hamilton, for their banking house and lot located on Main Street between Front and Columbia Streets, in Cincinnati. Since no other settlement method seemed to be in sight, this property was accepted as payment in full for the loan of \$10,000, including interest.

The Bank of Hamilton took possession of the property and rented it to John and Gurden B. Gilmore for use as a broker's office and residence. In December, 1824, a writ of ejectment, issued from the Circuit Court of the United States for the district of Ohio, in favor of the heirs of Israel Ludlow was served on the tenant of the Bank of Hamilton for the recovery of the house on the grounds that the property had been illegally sold by the administrators of Israel Ludlow after his death. During the January term of the Circuit Court in 1827, a judgment was rendered in favor of the heirs of Ludlow against the Bank of Hamilton.



Ironically, the building which was offered to stave off a financial disaster for the Bank of Hamilton is portrayed on this issue of the Farmers and Mechanics Bank of Cincinnati.

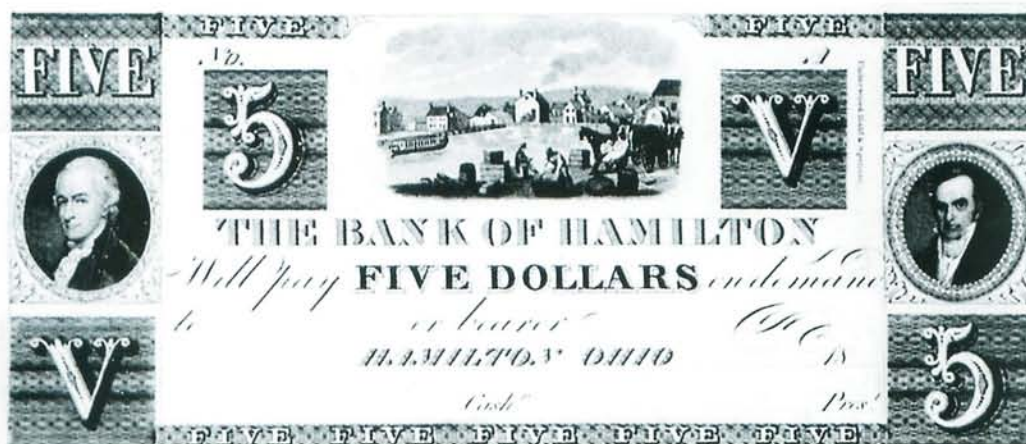


\$10 Bank of Hamilton proof of post-1835 issue.

An apparent contemporary counterfeit of the post-1835 \$10 issue.



\$5 Bank of Hamilton
proof of post-1835
issue, with portrait of
the bank's namesake
Alexander Hamilton
at left.



The Bank of Hamilton took up a writ of error to the Supreme Court of United States and when the case came up for hearing, the judgment of the lower court was affirmed, which rendered the title of the Bank of Hamilton void. This ruling essentially left the Bank of Hamilton holding the bag.

However, further examination found that the property had been conveyed to the Farmers and Mechanics Bank by one John McIntyre, by deed of general warranty dated the 31st of May, 1815. Mr. McIntyre lived in Madison, Indiana, and was perfectly solvent. The agent of the bank accordingly called on him on October 29, 1819, at which time Mr. McIntyre agreed to pay to the Bank of Hamilton the sum of \$2,000, which was accepted.

The Bank of Hamilton was, nonetheless, severely crippled. While the bank did not suffer outright failure, it was driven into virtual inactivity from roughly 1821 until 1835. During this time period, the stockholders did nothing more than to elect directors to keep the bank alive. In 1835, the bank received an additional \$50,000 in new investment and again went into operation. The bank's second period of operation was hardly more successful than its first. Thanks in part to the Panic of 1837 and its aftermath, the Bank of Hamilton finally shut its doors on the February 9, 1842, when an assignment was made. ❖

Washington & Hamilton grace Hamilton Bank \$1 By Leslie Deerderf

Portraits of both 1st President and 1st Treasury Secretary grace this elegant Hamilton Bank, Boston, \$1 note, the only note from this bank with Hamilton's bust. According to Jim Haxby, the bank was organized in 1831, becoming the Hamilton National Bank of Boston. ❖



Reader supplies data: Note printer was Hamlin



Fred,

Great article by Q. David Bowers, "Humbugs in Paper Money." Just an update. The note is from 1808. Early bills did bear an imprint of an engraver. The printer's name HAMLIN is under the oxen. Keep up the good work. Sincerely, **Roland Rivet**



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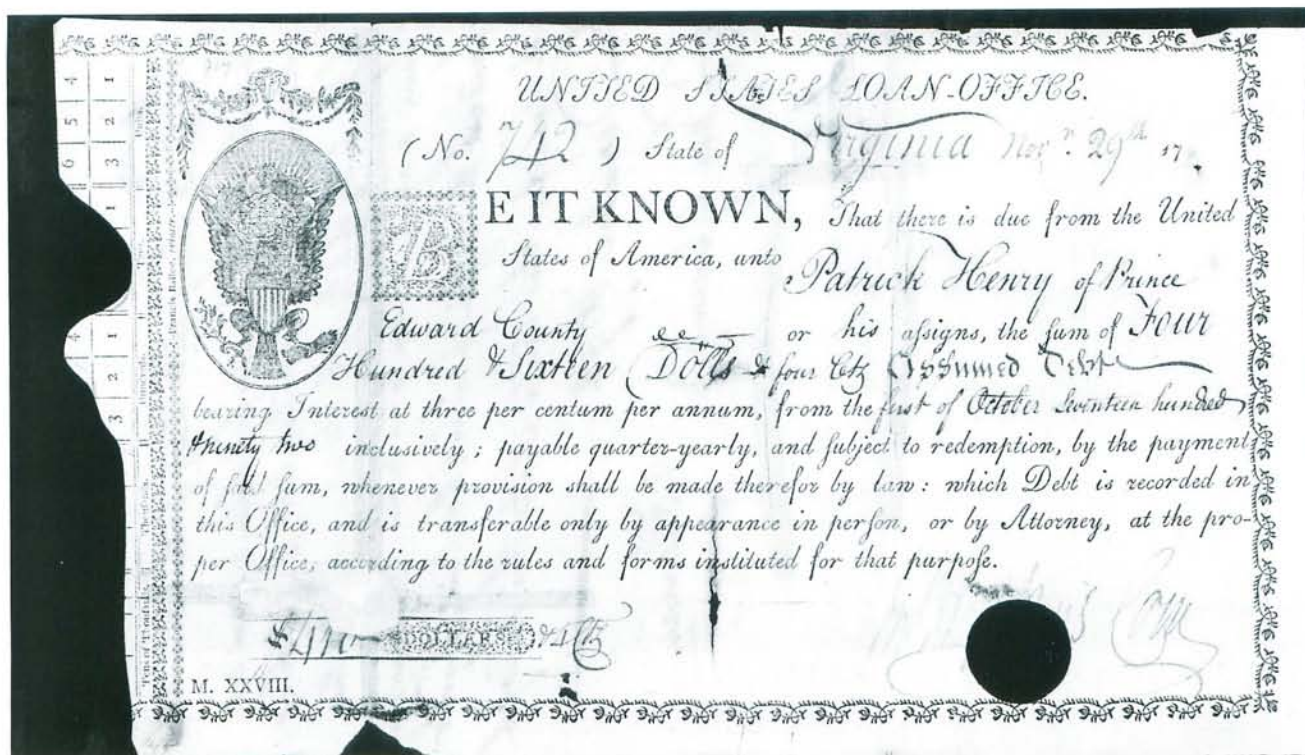
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ALEXANDER HAMILTON

My Hamilton

and the Birth of a Capital Market

By Robert E. Wright



This certificate issued to Founding Father Patrick Henry in 1792 indicates that he invested in America's first bond issue.

CAPITAL MARKETS ARE WONDROUS THINGS. No nation with a good one is poor; no nation without one is rich, unless one counts as wealth the income reaped by the temporary exploitation of oil and gold, blood and bone. Alas, institutions as complex as capital markets do not usually arise of their own accord. To flourish, as they have in America, they typically require, at a minimum, political stability and a helpful hand from on high.

In America, Alexander Hamilton provided both.

Few doubt the importance of the Constitution, or Hamilton's seminal role in its ratification, but many scholars, like their Jeffersonian and Jacksonian forbears, routinely question the efficacy of Hamilton's financial reforms. Such debates, which raged even before Hamilton's untimely demise in 1804, were fueled by a dearth of hard evidence. In Hamilton's

time, the depth and liquidity of the new financial markets were clear to all not blinded by partisan rage, but the ultimate effects of the financial revolution of the 1790s remained obscure.

Today, we know that Hamilton's revolution did not create the exploitative financial oligarchy that many feared it would. The founding generation's intimate understanding of the economic efficacy of the early financial system, however, was lost long ago. In recent decades, most historians ignored the early financial system entirely or hinted that it did more harm than good. The prevailing sentiment to this day appears to be that a few, rich speculators dominated the early debt markets and turned them to their own, greedy ends.

Recent work, however, is proving that such views are questionable. A few years ago, two colleagues and I completed a

TABLE I

Group	Number of Accounts	Percentage of Accounts	Face Value of Bonds Purchased (\$millions)	Percentage of Bonds Purchased
Non-merchants	253	29.54	1.033	13.09
Merchants	234	27.40	3.043	38.56
No Occupation Given	367	43.06	3.816	48.35
Occupation Analysis	854	100.00	7.892	100.00
Non-Charleston U.S.	211	24.71	2.049	25.96
Charleston	375	43.91	2.991	37.90
Foreign	84	9.84	.728	9.23
No Location Listed	184	21.54	2.124	26.91
Location Analysis	854	100.00	7.892	100.00
Estates	112	13.11	.349	4.42
Trusts	39	4.57	.223	2.83
Organizations	20	2.34	1.692	21.45
Partnerships	61	7.14	.957	12.12
Females	89	10.42	.208	2.64
Miscellaneous Accountholders	321	37.58	3.429	43.46

Owners of Accounts on Charleston, SC transfer books by occupation, location, and type.

large data set of early securities prices. The data, gathered from early newspapers, suggested the early appearance of vigorous capital markets in each of the new nation's major coastal cities. Where there are prices, there are transactions, and where there are transactions, the forces of supply and demand ensure the economically efficient allocation of resources. Data on trading volumes, however, remained scarce, so stalwarts, who are always too plentiful, clung tenaciously to the old view that the "markets" were little more than the playthings of the rich and powerful few.

Even the most steadfast supporters of the old, anti-Hamiltonian view, however, will have difficulty deflecting the data currently emerging from an in-depth study of the recently (re)discovered national debt transfer books. Those account books list the owners of U.S. national bonds, often provide the accountholder's place of residence and occupation, and invariably reveal the date, type, and face value of bonds that they purchased and sold.

In short, scholars will soon know precisely who owned the national debt and how frequently the various bonds created by Hamilton's funding plans traded in the secondary markets. Although results are preliminary, they are highly encouraging to those who argue that Hamilton's financial reforms played an important, if not crucial, role in forging America's economic greatness.

The initial data come from the Charleston, SC transfer books. Charleston was chosen for first study because price and anecdotal evidence suggested that it possessed the smallest and thinnest of the early U.S. securities markets. Logically, if the Charleston debt market was an active one, the findings

from Boston, New York, Philadelphia, and Baltimore should prove even more encouraging. Here is an overview of the findings:

Between November 1790 and January 1797, the Charleston transfer books list 854 accountholders. This is not the same as the number of persons who owned bonds. Some accounts listed several people as owners; some people controlled several accounts. The former were generally partners in mercantile firms; the latter were typically attorneys who held bonds in trust for minors, the estates of the deceased, etc.

Of those 854 accountholders hailed most resided in Charleston or its environs; but they included people from at least 87 different places, from Amsterdam to Bermuda, from Bordeaux to Bristol, and from Massachusetts to Georgia. The accountholders included members of 48 different occupational groups, including bricklayers, gunsmiths, innkeepers, and painters.

The size of transactions ranged from \$1.40 to almost \$804,000. The average sale, of which there were 2,148 over the period, was for \$1,359.10. The median transaction size was only \$540.07, however, and 25 percent of the transactions were for bonds the face value of which was \$173 or less, a sum well within the reach of "middling" households.

As Table 1 shows, merchants were major participants in the market, but they were so numerous, and so geographically dispersed, that it is highly unlikely they could have systematically manipulated the market for their own benefit. Moreover, in aggregate, miscellaneous holders (women, estates, trusts, partnerships, and organizations) were more numerous than merchants and purchased a greater face value of bonds.

TABLE 2

Month – Year	Amount Sold	Number of Sales	Average Sale Size	Month – Year	Amount Sold	Number of Sales	Average Sale Size
November 1790	\$2,876.39	10	\$287.64	January 1794	\$10,654.39	18	\$591.91
December 1790	\$4,667.92	4	\$1,166.98	February 1794	\$34,178.08	28	\$1,220.65
January 1791	\$10,739.25	10	\$1,073.93	March 1794	\$5,189.63	12	\$432.47
February 1791	\$15,704.86	3	\$5,234.95	April 1794	\$17,706.84	21	\$843.18
March 1791	\$16,261.23	10	\$1,626.12	May 1794	\$2,500.12	2	\$1,250.06
April 1791	\$17,260.66	29	\$595.20	June 1794	\$4,414.35	9	\$490.48
May 1791	\$1,800.68	5	\$360.14	July 1794	\$54,982.84	35	\$1,570.94
June 1791	\$1,686.01	6	\$281.00	August 1794	\$7,619.83	9	\$846.65
July 1791	\$17,122.78	23	\$744.47	September 1794	\$9,987.14	14	\$713.37
August 1791	\$7,759.47	21	\$369.50	October 1794	\$3,029.57	10	\$302.96
September 1791	\$3,407.02	7	\$486.72	November 1794	\$27,266.70	18	\$1,514.82
October 1791	\$26,841.11	26	\$1,032.35	December 1794	\$1,526.72	4	\$381.68
November 1791	\$254,830.71	107	\$2,381.60	January 1795	\$12,453.91	18	\$691.88
December 1791	\$104,626.72	75	\$1,395.02	February 1795	\$27,711.80	30	\$923.73
January 1792	\$58,103.70	54	\$1,075.99	March 1795	\$21,973.90	25	\$878.96
February 1792	\$113,527.63	64	\$1,773.87	April 1795	\$35,455.43	39	\$909.11
March 1792	\$52,697.30	68	\$774.96	May 1795	\$44,045.29	25	\$1,761.81
April 1792	\$98,032.16	91	\$1,077.28	June 1795	\$17,679.84	7	\$2,525.69
May 1792	\$260,086.57	166	\$1,566.79	July 1795	\$82,982.47	53	\$1,565.71
June 1792	\$74,815.37	65	\$1,151.01	August 1795	\$78,518.71	40	\$1,962.97
July 1792	\$60,232.27	73	\$825.10	September 1795	\$11,443.35	10	\$1,144.34
August 1792	\$46,229.91	54	\$856.11	October 1795	\$43,156.04	26	\$1,659.85
September 1792	\$18,701.02	34	\$550.03	November 1795	\$17,149.88	13	\$1,319.22
October 1792	\$44,650.38	60	\$744.17	December 1795	\$12,437.45	7	\$1,776.78
November 1792	\$53,419.74	52	\$1,027.30	January 1796	\$18,784.21	7	\$2,683.46
December 1792	\$11,337.71	21	\$539.89	February 1796	\$15,331.31	19	\$806.91
January 1793	\$43,398.47	32	\$1,356.20	March 1796	\$15,341.32	9	\$1,704.59
February 1793	\$40,686.19	51	\$797.77	April 1796	\$20,574.70	20	\$1,028.74
March 1793	\$13,088.07	18	\$727.12	May 1796	\$79,066.64	23	\$3,437.68
April 1793	\$124,353.24	63	\$1,973.86	June 1796	\$15,875.23	9	\$1,763.91
May 1793	\$20,516.04	17	\$1,206.83	July 1796	\$158,145.36	42	\$3,765.37
June 1793	\$6,228.97	12	\$519.08	August 1796	\$37,559.98	22	\$1,707.27
July 1793	\$16,097.78	11	\$1,463.43	September 1796	\$10,273.87	13	\$790.30
August 1793	\$66,272.57	36	\$1,840.90	October 1796	\$28,426.54	12	\$2,368.88
September 1793	\$16,145.93	15	\$1,076.40	November 1796	\$30,709.57	14	\$2,193.54
October 1793	\$85,467.64	29	\$2,947.16	December 1796	\$14,503.65	15	\$966.91
November 1793	\$64,334.76	16	\$4,020.92	January 1797	\$4,804.81	13	\$369.60
December 1793	\$11,047.36	18	\$613.74				

Sales recorded on Charleston, SC transfer books from November 1790 to January 1797.

Moreover, as Table 2 suggests, the market for government bonds was quite liquid, both in terms of number of trades and the face value traded.

Over time, the market in Charleston for the bonds that Hamilton's Treasury issued starting in late 1790 became somewhat smaller. Several factors account for the decline.

First, by the late 1790s new varieties of U.S. bonds, tracked in separate account books not yet studied, became available, as did other securities, including shares in business corporations.

Second, in the early decades of the 19th century the federal government rapidly paid down its debt, so there were fewer bonds available to trade.

Third, securities have a tendency to end up in the

possession of one of two types of owners – long-term holders like widows and estates, and short-term traders. The former did not trade frequently, and the latter tended to send their bonds to the larger markets of the Northeast.

Fourth, the original southern holders liquidated their U.S. bonds, often selling them to northerners, to reinvest in the South's booming agricultural economy and foreign trading ventures. Such asset redeployments are among the advantages conferred by good capital markets.

So, by April 1, 1809, only 163 accountholders are listed on Charleston's books. They owned a total of only \$1,900,797 face value worth of Hamiltonian bonds. The median accountholder owned \$780.35 worth.

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Small Currency	6-5/8" x 2-7/8"	\$23.50	\$45.00	\$200.00	\$375.00
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Auction	9 x 3-3/4"	\$29.00	\$53.00	\$250.00	\$450.00
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Checks	9-5/8" x 4-1/4"	\$33.00	\$60.00	\$275.00	\$485.00

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Side Open	8-1/2" x 17-1/2"	\$21.00	\$93.00	\$165.00	\$380.00
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End Open	9-1/2" x 12-1/2"	\$19.00	\$83.00	\$150.00	\$345.00
Map & Bond Size					
End Open	18" x 24"	\$77.00	\$345.00	\$625.00	\$1425.00

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TABLE 3

Residence	Number	Percentage of Face Value of Bonds Owned	Occupation	Number	Percentage of Face Value of Bonds Owned
Beaufort, South Carolina	1	0.47	Attorney	1	15.24
Bermuda	7	1.28	Broker	1	0.02
Camden	1	0.48	Factor	2	1.91
Charleston	64	61.75	Grocer	1	0.89
Chester, Great Britain	1	17.62	Merchant	18	46.65
Georgetown	1	0.79	Merchant Tailor	1	0.07
Georgia	1	0.01	Physician	2	2.93
Great Britain	4	8.14	Planter	19	19.07
James Island	2	0.53	Reverend	3	0.66
New River	1	0.02	Spinster	6	1.31
Newberry district	1	0.78	Surveyor	1	0.48
Ninety Six district	3	1.13	Tanner	1	0.06
Peedee	1	0.02	Treasurer of the State	1	5.96
Pendleton County	1	0.68	U.S. Navy	1	0.15
Redland, near Bristol	1	0.09	Widow	15	4.60
South Carolina	2	4.47	Total	73	100.00
St. Eustatius	2	0.10			
St. Helena	1	0.80			
St. James Santee	1	0.05			
St. John's Parish	1	0.10			
St. Paul's	1	0.03			
St. Thomas Parish	2	0.63			
Winyaw	1	0.03			
Total	101	100.00			

Percentage of face value of bonds owned recorded on Charleston, SC transfer books by residence and occupation.

Moreover, as Table 3 indicates, accountholders now represented fewer communities and fewer occupations.

Charlestonians owned decreasing numbers of Hamiltonian bonds until the first U.S. national debt was completely paid off during Andrew Jackson's administration. The redemption of the bonds, or their sale to northern and foreign markets, was a gradual process. Some Charlestonians consumed the proceeds of the sales and redemptions or invested them directly in productive assets like land and slaves. Others undoubtedly reinvested in state and local bonds, private bonds and mortgages, and corporate securities. Thanks to the helping hand that Hamilton provided the nation's nascent capital markets, Charlestonians, and indeed all Americans, enjoyed a variety of long-term investment options, and a greater ability than before to reallocate capital to take advantage of new and profitable investment opportunities.

Two hundred years after Hamilton's death, scholars studying the long-dormant early U.S. transfer books are finally poised to understand with clarity, depth, and precision the importance and complexity of the Treasury Secretary's accomplishments in creating liquid capital markets. These markets were a major advantage of the United States in comparison with almost all other nations at the start of the 19th century. Prevailing notions that capital markets were unimportant and "dens of thieves" need to be tempered with factual knowledge of their nature and depth, and how they contributed to the efficient allocation of scarce capital resources.

Editor's Note: Robert E. Wright is the author of *America's First "Wall Street": Chestnut Street Philadelphia and the Birth of American Finance* (University of Chicago Press, 2005), and four

other books on U.S. financial history. He teaches economics, business, and history at New York University and DeVry University.

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U.S. Treasury securities market: Lessons from Alexander Hamilton

Remarks by past Fed Chairman Alan Greenspan

At the Annual Public Service Awards Dinner of the Public Securities Association, New York, New York

October 7, 1996

I thank the members of the Public Securities Association for bestowing upon me this award for distinguished public service. I am particularly honored by the company that I keep as a winner of this award, as previous recipients have included Senators Daniel Patrick Moynihan, Christopher Dodd, and Kay Bailey Hutchison and my predecessor as Chairman of the Federal Reserve, Paul Volcker.

I trust that everyone in this audience would agree that the U.S. government securities market works as well as any on earth and generates widespread macroeconomic benefits. In one sense, that is regrettable. The market has become so efficient in part because of the economies of scale associated with the large volume of Treasury debt issued over the years. While the massive federal debt has allowed traders to refine their skills, it has also implied that much of the small pool of national saving has gone toward funding the government. Moreover, the interest burden of this debt has kept tax rates higher than we might have wanted.

In another sense, though, the efficiency of the government securities market stands as testimony to decisions by policymakers in the formative days of our nation that convinced the world that the United States honored its commitments and valued the rule of law. Every time I visit Secretary Robert Rubin, I am reminded of the power of the decisions of the first Secretary of the Treasury that laid the foundations for this nation's financial credibility. Engraved at the base of the statue of Alexander Hamilton outside the Treasury building are the words of Daniel Webster: "He touched the dead corpse of the public credit, and it sprung upon its feet."

Everyone knows the short version of the events that prompted that praise. Hamilton convinced the new Congress to honor the debts of the Continental Congress. Under his prodding, the federal government also assumed responsibility for the debts of the individual states incurred in fighting the War of Independence. But there are five details of the debate at that time that we all would be well served to remember.

FIRST, Hamilton insisted on full payment of the debt. Many at that time counseled discrimination among those obligations--perhaps by favoring vendors and veterans over bond holders or perhaps by paying original holders of debt more than those who purchased securities in the secondary market. Hamilton recognized that an obligation was an obligation, no matter how it was incurred or who held it. Repayment had both a moral and a practical dimension. The debt, in Hamilton's words, was the "price of liberty" because it financed the successful completion of the War of Independence. Those who extended aid at a time of peril, or supported the debt subsequently, deserved to be repaid. But repayment would also send an important message to investors, particularly those abroad, that the United States could be trusted in the future. Hamilton recognized, and we should never forget, that investors have many choices on world markets. Even the whiff of the possibility that the United States would not honor its debt would push up the cost of borrowing for years to come. Following Hamilton's lead, the Treasury has never defaulted on any debt security, notwithstanding the abrogation of the gold clauses in 1933.

SECOND, Hamilton was practical in his understanding that economic policymaking cannot be divorced from the broader discourse on public priorities. The debate on the assumption of state debts generated arguments so heated as to make our weekend television talk shows appear as civil as tea parties. Reflecting on those days in his later years, Thomas Jefferson--by no means an admirer of the first Secretary of the Treasury--was led to write that "this measure produced the most bitter and angry contest ever known in Congress, before or since the Union of the States." But those bitter enemies, Hamilton and Jefferson, compromised with an old-fashioned horse trade. Jefferson threw his support behind the assumption of the state debts in return for Hamilton's advocacy of placing the nation's capital on the banks of the Potomac.

Political realities have not changed in that regard in the succeeding two centuries. It is inevitable that consideration of the budget be included as part of a wider debate on public policies. However, Alexander Hamilton drew a line that no one should cross: The government of the United States must never default on its debt.

THIRD, Hamilton's plan to honor the old debt provided a sinking fund to help repay new debt as it came due. The first Secretary saw that Treasury debt was a burden to future generations. And it was his responsibility to provide the means to lighten that load. In those simpler times, before we became too sophisticated for our own good, deficit financing was a necessity prompted solely by peril, not as a tool of active demand management or as an excuse to put off hard decisions. In one sense, though, Hamilton's job of planning for the retirement of the debt he was issuing was easier than the problems confronting today's policymakers. In 1789, government obligations could be measured by the amount of debt outstanding. Today, debt comes in many forms, including promises to pay that have become embodied in unfunded entitlement programs.

FOURTH, Hamilton's refunding scheme provided for the issuance of securities of long maturity that would be repaid in specie. Thus, his Treasury locked in longer-term funding and did not have to test continually the market's willingness to finance the new government. At the same time, investors were given some assurance that holding government securities would preserve their purchasing power. Those same incentives have led our present-day Treasury to issue securities across a wide range of maturities and, I am pleased to note, to begin soon to offer debt indexed to consumer prices.

FIFTH, and this should come as no surprise from one of the authors of the *Federalist Papers*, Hamilton explained his policies in well-written, logically constructed arguments that remain a pleasure to read, even two hundred years later.

Hamilton's lessons speak across the generations, both to policymakers in mature democracies and those coping, as he did, with financing newly independent states. If we are to protect his creation, the U.S. Treasury market, we must remember two facts he could not afford to forget. For one, buyers of Treasury securities do so through their own volition. Investors have alternatives, and more so now than ever before. For another, the issuer of those securities, the U.S. Treasury, must finance an amount, on net, that is determined by the political judgments of the congressional and executive branches of government. If the government makes purchasing its debt harder--by imposing onerous reporting or bookkeeping requirements--or riskier--by following capricious macroeconomic policies--buyers will pull back and the cost of servicing the debt will rise. We at the Federal Reserve will do our part to contribute to financial stability, which is to preserve the purchasing power of money over time.

To be sure, the dollar sums that preoccupied Alexander Hamilton were small. The national debt totaled \$75 million, or \$18 per capita. But the issues at stake were large. I can only hope that, by following his precedent, today's policymakers show some of the same wisdom in dealing with the public debt.

Background: Alexander Hamilton by John Trumbull



Interest Bearing Notes

By Dave Bowers

Hamilton notes popular with collectors in hobby today

Thousand dollar bills with the portrait of Alexander Hamilton (1755-1804) were quite popular with voters surveyed for the recent book Dave Sundman and I wrote, *100 Greatest American Currency Notes*. Three different "Millennium notes" landed in positions #74 (Series 1918 \$1000 Federal Reserve Note), #75 (Series 1907 and 1922 \$1000 Gold Certificate), and #80 (the Series 1882 \$1000 Gold Certificate shown here).

As a subject on federal paper money, Hamilton was and still is (on the current \$10 note) a great choice. In all our first Secretary of the Treasury was broadly represented. Five other winning types depicting Hamilton landed at Nos. 32, 38, 82, 88, and 97. More than any other individual, he was central to financial planning in the early days of the government, and thus the distinction is richly deserved.

The present type began with a single Friedberg number, F-1218, in early editions of Bob Friedberg's *Paper Money of the United States*. Things were less sophisticated back then. For high-denomination notes, basic types were often assigned a single number; signature combinations or, in related instances, Federal Reserve Bank locations, were sometimes ignored.

This listing is now expanded with added letters "a" through "g" to reflect different Treasury signatures and seal varieties. For today's collecting community, however, the more information the better, and basic listings acceptable in 1953 will not suffice.

F-1218a has Blanche K. Bruce-James Gilfillan signatures and a countersignature by Thomas C. Acton, assistant treasurer, and is payable in New York City. The Bruce-Gilfillan combined tenure lasted until March 31st, 1883. Scholarship by members of the Society of Paper Money Collectors and others has revealed much information not known to earlier generations. Today's listings are more precise..

The F-1218f shown bears facsimile signatures of Register of the Treasury Judson W. Lyons and U.S. Treasurer Ellis H. Roberts, whose combined term of office was April 7, 1898, to June 30, 1905.

Across the different varieties within this type, researcher Martin Gengerke records 22 different known examples today, including two of the curious F1218a. Ten of the known examples are part of the National Numismatic Collection at the Smithsonian Institution.

In 1789 President Washington appointed Alexander Hamilton as the first Secretary of the Treasury, a position he held until 1795. He created and reported to Congress a program that sought to strengthen the finances of young America. Particularly important was to build credit domestically, for the currency of the Continental Congress had depreciated to virtual worthlessness.

Credit with foreign countries was also a part of his bold program, with Europe being the main focus. The national government, not the states, was to be the bearer of the government's financial plans, although most banking and related activity was regulated with the states if at all.

In his *Reports on the Public Credit*, delivered to Congress on January 14 and December 13, 1790, Hamilton took the aggressive step to recommend that the federal government assume the debts incurred by the states in the fighting of the Revolutionary War. This measure would encourage leading business and financial interests to support the fledgling government during its development.

Thomas Jefferson, Secretary of State at the time, opposed certain provision of Hamilton's plans. A compromise with Jefferson was struck, including locating the Federal City (later called Washington) in the South, after which southern votes were instrumental in passing the recommended legislation.

In his second message to Congress, Hamilton proposed the Bank of the United States, a government-chartered institution similar to the successful Bank of England. It would issue currency and to an extent regulate credit and interest rates through practices of receiving and lending money.

Banks were just beginning to be formed, with the Bank of



North America chartered in Philadelphia, being the first such commercial institution. Banking was viewed as a right of the states, and there was much opposition regarding any possible interference by the federal government. Hamilton promoted BUS, which operated until its 20-year charter expired in 1811. Ownership was mostly by private shareholders, although the government held an interest.

Hamilton was caught up in the politics of the Federalist campaign for the presidency in 1796. John Adams won, but Hamilton tried to influence the Electoral College to name Thomas Cotesworth Pinckney. He remained active in politics for years afterward. In 1804, in a famous duel with his political enemy, Aaron Burr, Hamilton was the loser.

Series 1882 \$1000 Gold Certificates with financial architect Alexander Hamilton's portrait is a favorite of many, but only the well-healed can afford one today. Valued in Extremely Fine at a relatively modest \$1,650 in 1960, the note's value had risen to \$12,500 two decades later.

An EF example of F-1218g sold for \$264,500 in 2005. ❖

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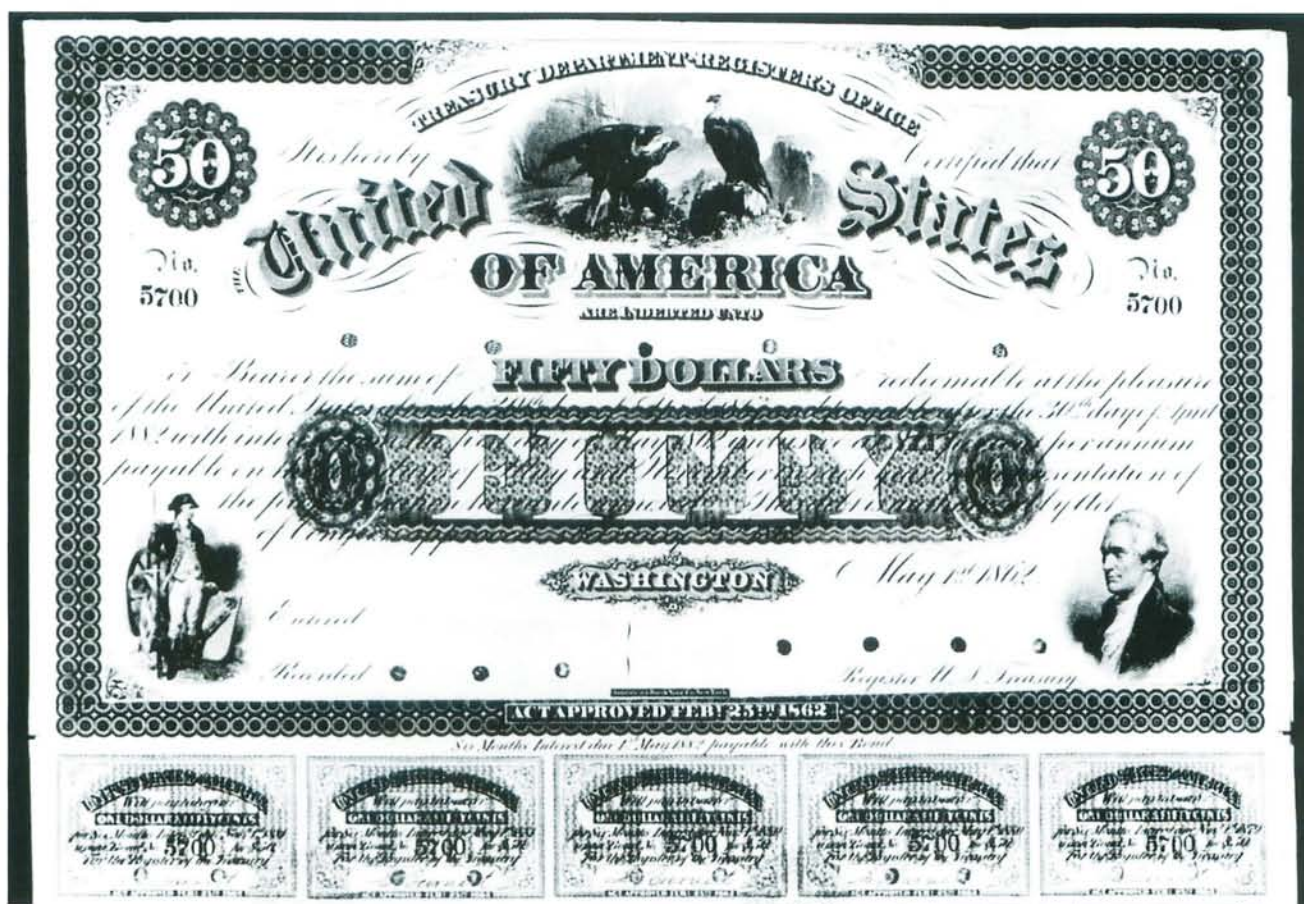
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Alexander Hamilton on U.S. Government Bonds

By Gene Hessler

IN AN ILLUSTRATED HISTORY OF U.S. LOANS, 1775-1898 THERE ARE 196 LISTINGS FOR emissions issued between the dates mentioned. Excluding eagles and idealized images of *Liberty*, *Justice*, *Mercury*, etc., the first likeness of a named person did not appear until 1846. As you might surmise, the image of George Washington appears more often than any other person; portraits of Alexander Hamilton are second in usage. Four different engraved images of Alexander Hamilton appeared on eight U.S. bonds in two categories. Registered bonds were issued to and were redeemable by a specific person; coupon bonds were redeemable by the bearer.



Act of February 25, 1862

Authorized amount: \$500,000,000, however, the Act of March 3, 1864, authorized an additional \$11,000,000 and the Act of January 28, 1865 increased the authorization by \$4,000,000.

Amount issued: \$514,771,600.

Interest rate: 6%.

The \$50 registered bond bears a portrait of Hamilton engraved by Owen G. Hanks.

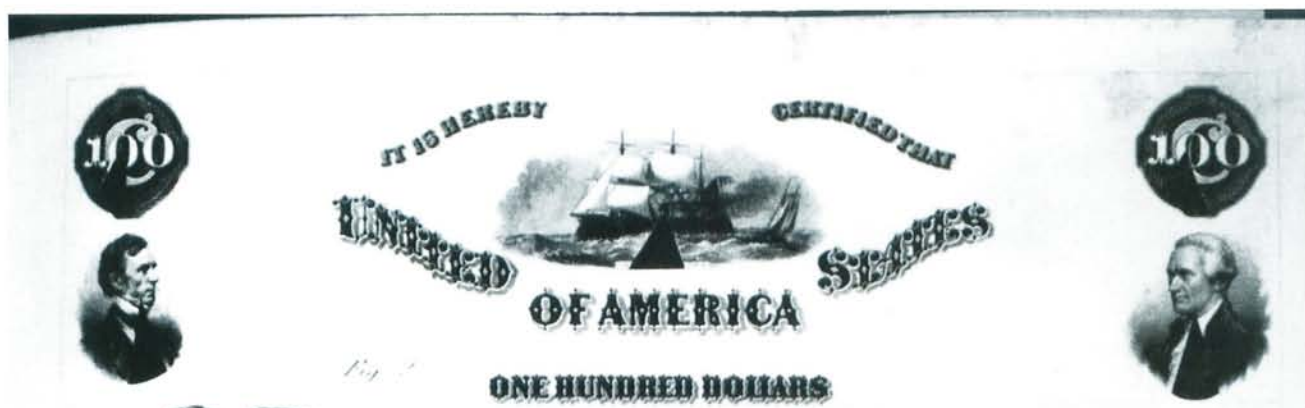


The \$1000 coupon bond has a portrait that was engraved by Charles Burt.



Act of March 3, 1863

Authorized amount: not to exceed \$300,000,000 for the current fiscal year and \$600,000,000 for the following year.
 Issued amount: \$75,000,000. Interest rate: 6%. The \$50 coupon bond has the portrait by Owen G. Hanks. The Eagle's Nest was engraved by Louis Delnoce and Justice and Shield was engraved by Charles Burt.



Act of March 3, 1865

Amount authorized: Included in the \$800,000,000 from the Act of June 30, 1864, and the Act of March 3, 1865, both for U.S. Treasury notes. Issued amount: \$203,327,250. Interest: 6%. The \$100 coupon bond bears the portrait engraved by Owen G. Hanks. This bond is unknown; the illustration is from a U.S. Bond Detector.



Act of July 14, 1870

Amount authorized: \$300,000,000 and increased to \$500,000,000 by the Act of January 20, 1871. Amount issued: \$250,000,000 including the Acts of January 20, 1871, and January 14, 1875. Interest: 4 ½%. The \$1000 registered bond has the portrait engraved by Charles Burt.

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On This Date in Paper Money History -- Jan. 2007

By Fred Reed ©

Jan. 1

1780, State of Massachusetts Bay issues "inflation proof" post notes payable in flexible sums of money based on ratios to various commodities such as corn, beef, wool and leather; 1819, Borough of Norfolk, VA emits municipal scrip;

Jan. 2

1879, U.S. Government resumes specie payments for paper currency; 1919, Private banking company, Bishop and Co. in Hawaii incorporates;

Jan. 3

1991, Dealer and Texas Obsolete Notes author Bob Medlar dies; 2001, Currency Auctions of America sells Texas National Currency collection of Steve Ivy;

Jan. 4

1777, Continental Congress' Resolution recommends States make bills of credit issued by Congress lawful tender in payment of public and private debts; 1842, First issue of *Thompson's Bank Note Reporter* issued;

Jan. 5

1864, CSA Treasury Secretary George Trenholm reports on finances; 1996, *Standard Catalog of United States Obsolete Bank Notes, 1782-1866* by Jim Haxby copyrighted;

Jan. 6

1776, New York Water Works Colonial Currency (FR NY181-183) bears this date; 1929, Van Buren Studios releases animated short subject (cartoon) *Wooden Money*;

Jan. 7

1782, First bank in United States, Bank of North America opens for business; 1862, Citizens Bank of Louisiana loans \$325,000 to the Confederate government;

Jan. 8

1816, Due to financial hardship from War of 1812, Congress proposes a second Bank of the United States; 1931, First delivery of Series 1928A \$5 USNs;

Jan. 9

1790, Alexander Hamilton advocates assuming states' debts; 1868, College currency issuer Harvey Gridley Eastman patents an improved pen holder;

Jan. 10

1855, John Jay Knox becomes cashier of Susquehanna Valley Bank, Binghamton, N.Y.; 1935, Lee F. Hewitt's *The Numismatic Scrapbook* debuts;

Jan. 11

1757, Treasury Secretary Alexander Hamilton (FR 1-5, 41) born; 1862, *Leslies' Illustrated* depicts a Confederate \$10 Treasury Note;

Jan. 12

1826, Committee appointed to consider establishing branch banks for Bank of England; 1862, Horatio Nelson Taft records in his diary that Treasury Notes are discounted 2-4% and gold is at a four percent premium;

Jan. 13

1842, Senator Thomas Hart Benton decries bankers as "red dogs" and banks as "Cairo swindling shops;" 1979, Eric Newman wins ANS Huntington Medal, first American since 1961, only specialist in U.S. series ever;

Jan. 14

1790, Alexander Hamilton proposes paying national debt through sale of government bonds; 1875, Congress removes circulation limits on National Currency; 1936, L.M. Mario Giannini elected president of Bank of America;

Jan. 15

1841, Bank of the United States resumes specie payments after 15 months suspension;

1975, Vernon Brown announces his intent to resign as SPMC Secretary;

Jan. 16

1833, Artist and banknote engraver James David Smillie born; 1942, Actress Carole Lombard dies in an airplane crash on tour selling war bonds;

Jan. 17

1826, Encased stamp issuer Chicago hotel proprietor John B. Drake born; 1863, Lincoln's special message to Congress urges passage of national banking legislation;

Jan. 18

1862, *Richmond Dispatch* reports postage stamps are circulating as small change; 1887, Last stacked Treasury Signatures approved on plates of National Currency; 1995, Copyright renewed for "Banknotes," a song by Paterson, Kemp and Herd;

Jan. 19

1821, Thomas Willing, first President of the Bank of North America and the Bank of the United States, dies; 1839, Republic of Texas authorizes treasury notes, \$5-\$500;

Jan. 20

1878, Maryland Senate reports to Maryland House on the emission of paper money; 1801, Fire damages Treasury Building; 1814, Massachusetts Senate orders publication of consolidated statement of the 29 banks in the state;

Jan. 21

1791, Alexander Hamilton urges both gold and silver coinage; 1793, Opponents of BUS accuse bank and Treasury Secretary Hamilton of corruption; 1851, Florida state legislature authorizes State Bank of Florida at Tallahassee;

Jan. 22

1561, British essayist Francis Bacon, who wrote "money is like muck, not good except it be spread," born; 1879, Last sheets of *Lazy Deuce* 1st charter Nationals issued;

Jan. 23

1862, Louisiana authorizes state treasury notes; 1862, NYT reports Demand Notes to be made legal tender; 1903, Numismatic book dealer Frank Katzen born;

Jan. 24

1862, NYT reports \$40 million in Demand Notes have been issued, with \$500,000 additional issued daily; 1953, Paper money fan/ANA President Waldo C. Moore dies;

Jan. 25

1815, NYC Common Council pays J. Hays \$50 for detecting counterfeit municipal small change bills; 1845, Alabama liquidates State Bank of Alabama, destroys notes;

Jan. 26

1863, John Sherman introduces National Currency Act in Senate; 1866, Man dressed as policeman robs bank porter in NYC of \$3,000 in Treasury Notes and Nationals;

Jan. 27

1817, Cincinnati Branch of 2nd Bank of the United States established; 1910, *Story of Paper Money* author Fred Reinfeld born; 1915, Sydney Noe becomes ANS Librarian;

Jan. 28

1791, Alexander Hamilton reports composition of Spanish piece of eight to Congress; 1847, Congress funds treasury notes issued during War with Mexico with six-percent registered bonds; 2004, Canada unveils "Canadian Journey" \$100 note;

Jan. 29

1761, Treasury Secretary Albert Gallatin (FR 183) born; 1863, CSA Erlanger Loan coupon bonds bear this authorization date; 1968, Treasury Order No. 212 mandates a new Treasury Seal;

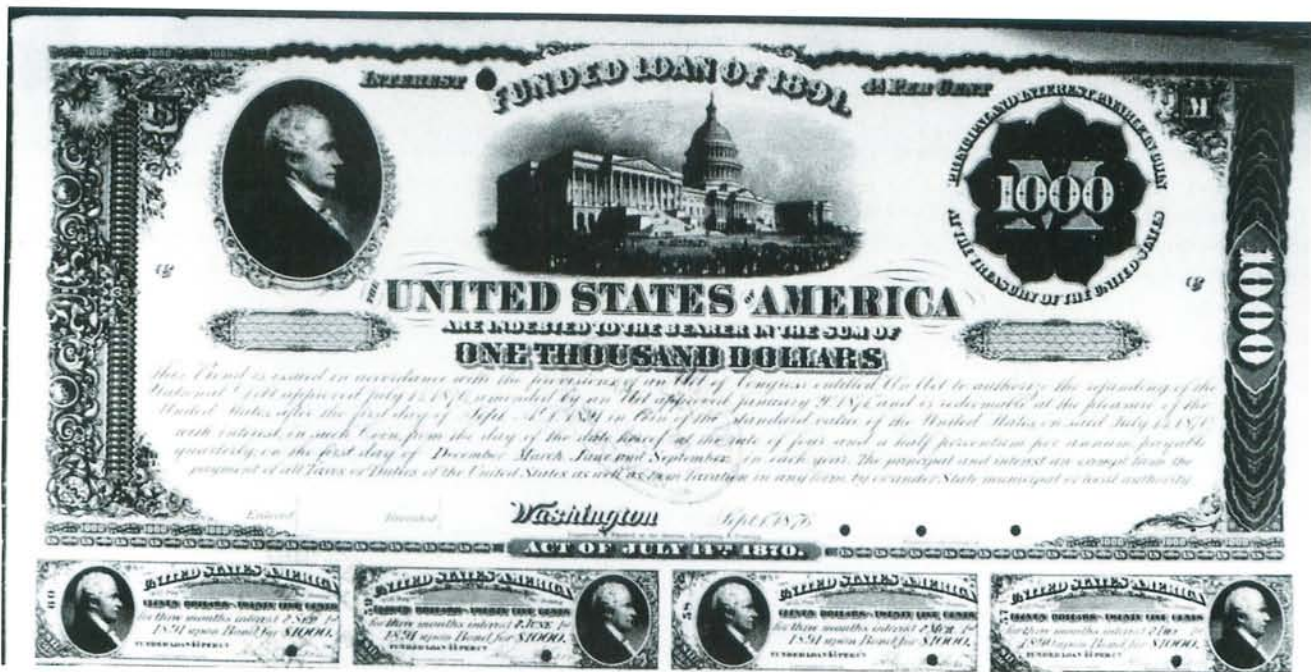
Jan. 30

1828, Treasury Secretary Rush reports to Congress on the amount of Continental Currency issued during the Revolutionary War; 1934, Congress passes Gold Reserve Act (31 U.S.C. 440-445); currency no longer redeemable in gold;

Jan. 31

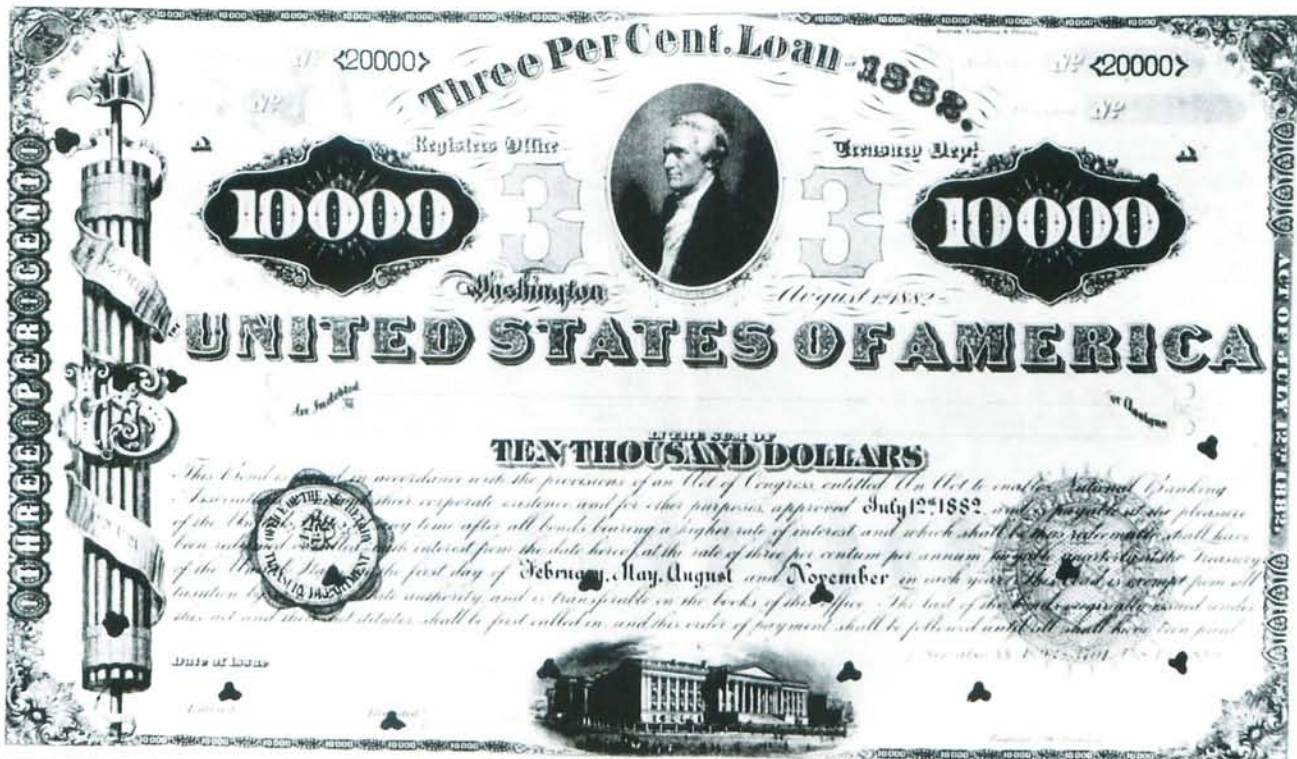
1842, Congress okays one-year interest-bearing notes of \$50 and up; 1913, Treasury Secretary MacVeagh approves new George Washington \$1 Silver Certificate; ❖





Act of January 20, 1871

Amount authorized: \$200,000,000. Amount issued: \$185,000,000. Interest: 4 $\frac{1}{2}$ %. This \$1000 coupon bond is similar to the preceding with minor differences.



Act of July 12, 1882

Amount authorized: Indefinite. Amount issued: \$305,581,250. Interest: 3%. This act extended the charters of existing national banks for twenty years. It also stated that except when bonds that secured the circulation were called in for redemption, a limit of \$3,000,000 per month could be retired. This \$10,000 bond has a portrait of Hamilton that has not been attributed to a specific engraver.

On This Date in Paper Money History -- Feb. 2007

By Fred Reed ©

Feb. 1

1862, City of Pensacola issues municipal scrip for 50-cents payable in specie; 1886, Final semi-annual payments on Louisiana "Baby Bonds;" 1936, U.S. Treasurer Azie Taylor Morton born; 1978, NASCA sells Paul Garland's Confederate bonds;

Feb. 2

1819, Patent medicine vendor and Confederate currency facsimilist Samuel C. Upham born; 1863, NYT reports letter from Hon. Robert J. Walker to Sen. John Sherman on the certainty the national banking project "will give us a sound national currency;"

Feb. 3

1468, Printer Johannes Gutenberg, who appears on NY obsoletes, dies; 1822, Counterfeiter William "Long Bill" Brockway born;

Feb. 4

1811, Eighty "worthy" citizens of Pittsburgh protest substantial British ownership of Bank of the United States; 1974, Socialite cum bank robber Patty Hearst kidnapped by Simbionese Liberation Army; 1998, First Sri Lanka polymer note;

Feb. 5

1794, Treasury Secretary Alexander Hamilton reports to Congress on the status of loans from BUS; 1863, Abraham Lincoln nominates John M.G. Parker to be deputy postmaster at New Orleans, in place of scrip issuer John L. Riddell;

Feb. 6

1861, President-elect Lincoln writes check for 50 cents in payment of taxes on lot in Lincoln, IL before leaving for inauguration; 1940, Second series of New Zealand bank notes introduced; 1997, BEP resumes public tours after two months of renovations;

Feb. 7

1804, America's richest man Senator William Bingham, key founder of the Bank of North America, dies; 1870, Supreme Court holds Legal Tender Acts unconstitutional; 1979, Smithsonian Institution unveils highlights from the Chase Manhattan Bank Collection;

Feb. 8

1864, *Richmond Examiner* prints Treasury Secretary Memminger's report of Feb. 6th; 1875, Act taxes notes of state banks, towns, cities/municipalities & persons at 10%;

Feb. 9

1864, Photograph of President Abraham Lincoln by Anthony Berger destined to be model for \$500 Gold Certificates beginning 1882 and Series 1999/2004A \$5 FRNs; 1866, Louisiana authorizes issue of post-war state treasury notes;

Feb. 10

1808, First bank authorized in Ohio, Bank of Marietta incorporates; 1863, Senator John Sherman addresses Congress on the necessity of a uniform national currency;

Feb. 11

1837, U.S. Supreme Court in *Briscoe v. Bank of Kentucky* (36 U.S. 257) validates a bank, even one 100% owned by the State, could issue paper money;

Feb. 12

1862, Act of this date authorizes additional \$10 million in Demand Notes; 1934, Export-Import Bank incorporates; 1963, First delivery of Series 1950D \$20 FRNs;

Feb. 13

1810, Banknote engraver George Murray receives patent for "mode of engraving and printing to prevent counterfeits;" 1834, Indiana charters State Bank of Indiana;

Feb. 14

1862, NYT reports Senate in Committee of the Whole passes Treasury Note Bill 30-7; 1922, President Harding restores 17 of 29 BEP employees he'd sacked two weeks ago;

Feb. 15

1791, Secretary of State Thomas Jefferson advises President Washington that the bill for establishing a national bank is unconstitutional; 1999, *U.S. News & World Report* says that North Korea uses same presses as BEP to produce bogus U.S. currency;

Feb. 16

1659, Oldest surviving English check; 1875, Fourth Issue of Fractional Currency ceases; 1973, Independent Arbitrage Int'l issues bearer notes denominated in "constants;"

Feb. 17

1776, Continental Currency fractional issues proclaim "Time flies . . .;" 1899, U.S. Senate accepts John B. White's canvas "General Marion Inviting a British Officer to Share His Meal" on which a famous currency vignette is based;

Feb. 18

1774, U.S. Treasurer William Clark born; 1842, Banks in Cincinnati resume specie

Catching attention = catching ca\$\$\$h!
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payments; 1875, Act prohibits national banking associations from issuing "any other notes to circulate as money;"

Feb. 19

1858, Pennsylvania charters Philadelphia Numismatic Society; 1980, Introduction of S2305 to OK printing \$1 bill backs "by a method other than the intaglio process;"

Feb. 20

1817, Leading banks in NYC, Philadelphia and Richmond resume specie payments; 2002, *A Financial History of the U.S.*, 3 vols, by Jerry W. Markham copyrighted; 2002, Towson, MD resident arrested for spending genuine \$2 bills;

Feb. 21

1861, CSA Treasury Secretary Memminger's tenure begins; 1921, BEP Director Jim A. Conlon born; 1967, *The Early Paper Money of America* by Eric Newman copyrighted;

Feb. 22

1819, *McCulloch v. Maryland* argued before the U.S. Supreme Court; 1864, Rochester, NY artist H.J. Kellogg sends President Lincoln a painting of a U.S. Treasury Note and requests "appropriate recompense" should Lincoln like to keep it;

Feb. 23

1816, Ohio banking law creates a "brood of vipers," 12 bank hatchlings; 1876, Last Fractional Currency issued; 1996, Treasury Secretary Joseph W. Barr dies;

Feb. 24

1841, British Post Office officially transfers funds by money order; 1862, Facsimile Confederate Treasury Note illustrated in *Philadelphia Daily Inquirer*;

Feb. 25

1813, Congress authorizes interest-bearing \$100 treasury notes; 1866, NYT reports arrest of William Garnot and Herman Lochman for \$500 in counterfeit FC;

Feb. 26

1777, "Baltimore" Continental Currency (FR CC55-62) bears this printed date; 1797, Bank of England issues first one-pound note; 1867, Kansas authorizes Military Scrip; 1913, Treasury Secretary MacVeagh instructs BEP to redesign U.S. currency;

Feb. 27

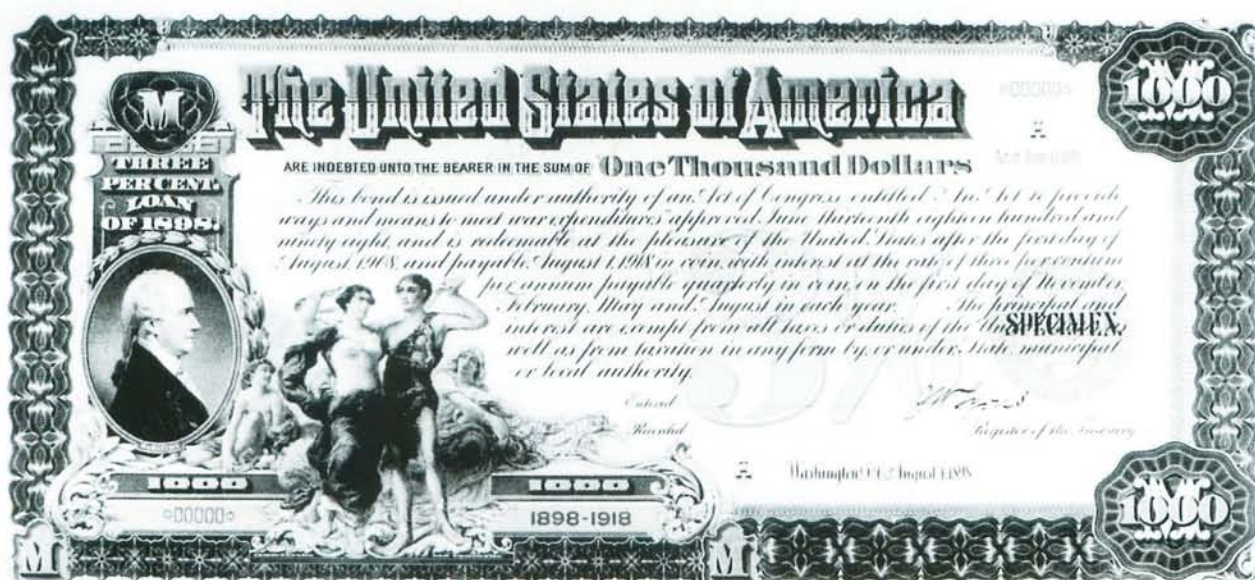
1787, Inventor of the geometric lathe Cyrus Durand born; 1866, James MacDonough patents an improved ink for bank note printing; 1933, Lewisburg Grain Elevators circulates depression scrip with multiple images of Abraham Lincoln;

Feb. 28

1860, William C. Price becomes U.S. Treasurer; 2005, NY Historical Society exhibit "Alexander Hamilton: the Man Who Made Modern America" exhibition ends; ♦

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Act of June 13, 1898 (Spanish-American War)

Amount authorized: \$200,000,000.

Interest: 3%.

The \$1000 coupon bond has the portrait engraved by Charles Burt. The figures of *Agriculture* and *Forestry* were created by Walter Shirlaw; they were engraved by Charles Schlecht.

Sources

Hessler, Gene. *An Illustrated History of U.S. Loans, 1775-1898*. Port Clinton, OH: BNR Press, 1988.

Hessler, Gene. *The Engraver's Line*. Port Clinton, OH: BNR Press, 1993.

STRIKE A COLLECTOR Sand mention "Lazy Deuce" and she'll probably think of First Charter \$2 Nationals. Notes wear this arresting moniker because of the "2" poised on its side over half the note's face. While the nickname gives these notes sex appeal, this engraving conceit was functional because the motif made it more difficult to raise the \$2 to say, \$20. Those Nationals were pikers, however, judged by this overall "Laziest Deuce" engraved by Danforth & Hufty for the Hamilton Bank, North Scituate, RI. This large numeral also resided on an Albany, NY note that I'll write about when *Paper Money* has its "Albany" issue! ♦

The "Laziest Deuce" of Hamilton Bank

By Leslie Deerdert



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Hamilton's Great Invention

By Howard Brod

A FRENCH LEGAL HISTORIAN, WRITING ABOUT THE American business corporation, said, "*C'était la plus grande découverte des temps modernes, au même titre que la vapeur et l'électricité.*" "It (the American business corporation) was the greatest discovery of modern times, as important as steam power and electricity."

Indeed, if it wasn't for the legal device of the business corporation, how would the founding fathers of free private enterprise have ever been able to put together the great amounts of capital needed for our giant enterprises?

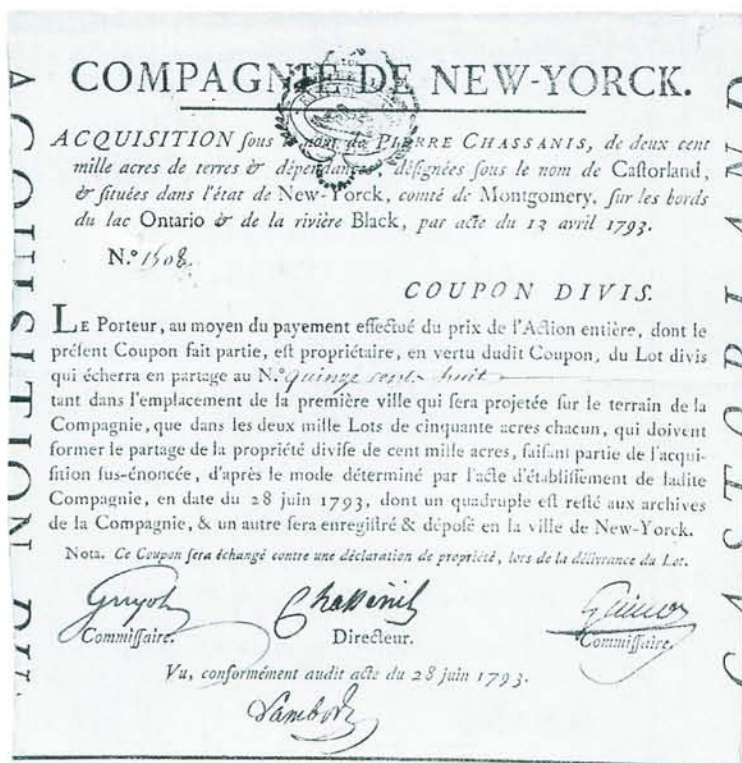
Alexander Hamilton invented the business corporation as we know it, and John Marshall's Supreme Court of 1819 gave it a firm infrastructure. Before

1789, when the Constitution became effective, the United States had a handful of corporations, but they were British, which meant they were *pro bono publico* (for the public good). The British took incorporating very seriously, so the corporate charter first had to be passed as an Act of Parliament, and then had to be signed and sealed by the King. Typical corporations of the colonial period included:

- Mayor Alderman & Sherrife, according to the Customs of England in other of his Majesties Corporacons [sic], of the inhabitants of Manhattan Island (1665);
- Overseers of the Poor in the town of Boston (1772);
- The Overseers of the publicke schoole [sic] founded in Philadelphia, at ye request, costs, & charges of the people of God called Quakers;
- The President and Society for the Propagation of the Gospell [sic] in New England (1649).

By 1819, however, the American business landscape had perhaps several hundred busi-

Stock in Compagnie de New-Yorck (sic), Paris, 1793.



ness corporations. A good number were banks, including the First Bank of the United States (our only national bank) and The Bank of New York (our most important state bank). Hamilton played a leading role in establishing both of these.

There was, therefore, a great deal of interest among the incorporating class when *Dartmouth College v. Woodward* came up for decision before John Marshall's Supreme Court. In its decision on that case, the Court held a corporate charter to be inviolable. A charter could not any longer be amended or canceled by the very public power which had granted it in the first place. *Dartmouth College v. Woodward* is the "Magna Carta" of our corporate barony, even though the actual case had nothing at all to do with a business corporation. Woodward was the Governor of New Hampshire, and Dartmouth was a charity school for Indians.

In 1819, Dartmouth College had already lived 50 years as a corporation. In 1769, after 15 years of trying, the Reverend Eleazer Wheelock had succeeded in incorporating his Native American charity school (which he named after a principal benefactor, the Earl of Dartmouth). According to its by-laws, the college corporation was directed by a board of 12. These 12 also had the privilege of naming their successors and/or replacements. The 12 controlled the corporation into all eternity. In this, the Dartmouth Board rather resembled a modern Board of Directors, who are rarely embarrassed from performing in like fashion by the nondescript stockholders.

The sovereign state of New Hampshire attacked this privilege provided for in the by-laws. New Hampshire passed a legislative act amending the corporation's private laws and increasing the Board to 21; New Hampshire proposed to name the extra nine. Dartmouth sued in the state courts to prevent this. Dartmouth lost and appealed to the Supreme Court.

There was great interest in the case. Business and established *pro bono publico* corporateers realized the importance of the basic issue presented: If Dartmouth's corporate charter and private laws (the by-laws) were vulnerable to governmental supervision, so were theirs.

Only six judges sat the Supreme Court bench in those days of low-cost government (and they rode the federal circuit when they were not in session). Princeton University, Incorporated made two of the six honorary Doctors of Law, presumably so they would be better judges. Harvard University, Incorporated improved the same two (Brockholst Livingston and William Johnson) with the same degree from Harvard. Harvard also made Justice Story, Chief Justice Marshall's good friend, a member of the College Corporation Board. Justice Story later became a Professor of Law at Harvard.

The Court's decision reversed British law. The decision established the so-called "American doctrine"—that a corporation cannot be directly con-

AN ACT
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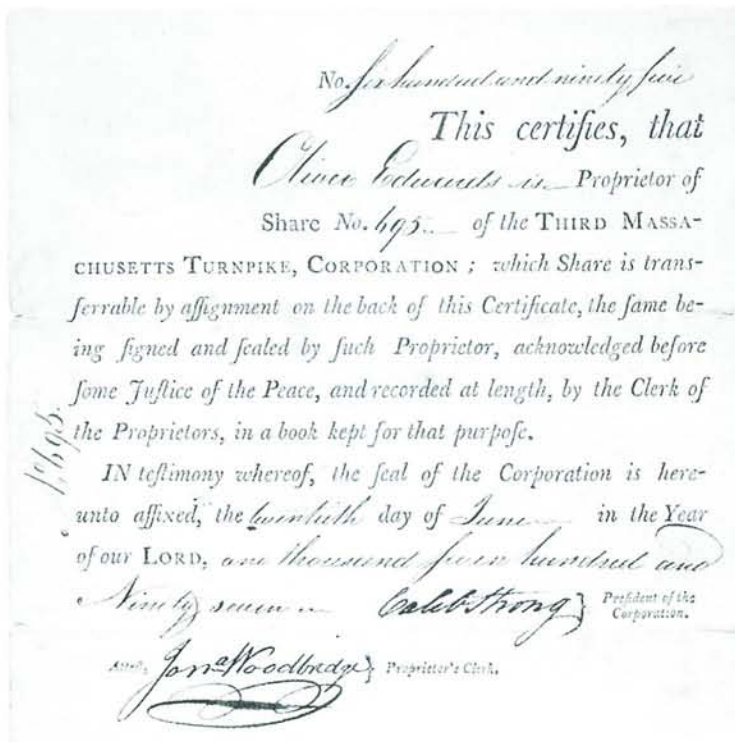
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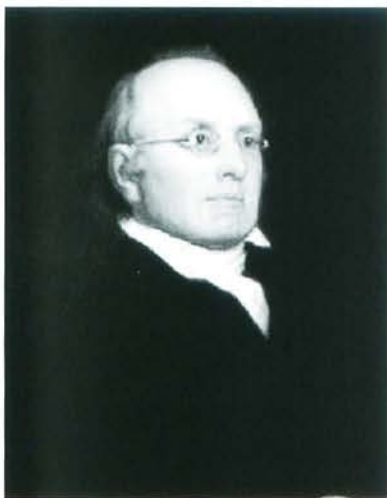
PRINTED by JOHN BINNS Franklin Court, Market Street.

1810.

An early American corporate charter for the American Fire Insurance Company, 1810.



Stock in the 3rd Massachusetts Turnpike Corporation. June 20, 1797.



Supreme Court Associate Justice and Merchants Bank of Salem, MA president Joseph Story.

trolled, through modifications of an existing charter or by-laws, by the public power.

Among the most important (properties of a corporation) are immortality...and individuality. They enable a corporation to manage its own affairs, and to hold property...Because the government has given it the power to take and hold property in a particular form, and for particular purposes, has the government a consequent right substantially to change that form, or to vary the purposes to which the property is applied?...The objects for which a corporation is created are universally such as the government wishes to promote. They are deemed beneficial to the country; and this benefit constitutes the consideration, and, in most cases, the sole consideration of the grant...The benefit to the public is considered as an ample compensation for the faculty it confers, and the corporation is

created. If the advantages to the public constitute a full compensation for the faculty it gives, there can be no reason for exacting a further compensation, by claiming a right to exercise over this artificial being a power which changes its nature, and touches the fund, for the security and application of which it was created.

The court found a Constitutional basis for this position, holding that a corporate charter was a contract even if it did not look like one. The Constitution protects the sanctity of private contracts; it prohibits the states from passing any law impairing an existing private contract.

This is plainly a contract...within the letter of the Constitution, and within its spirit also...It is more than possible that the preservation of rights of this description was not particularly in view of the framers of the Constitution...yet it must be governed by the rule.

The Court then appealed to charitable sentiment, blithely ignoring the wave of profit-making incorporations already rolling over our landscape.

Religion, Charity and Education are in the law of England, legatees or donees, capable of receiving bequests or donations in this (corporate) form...Are they of so little estimation in the United States that contracts for their benefit must be excluded from the protection of words, which in their natural import include them?...All feel that these objects are not deemed unimportant in the United States. The interest this case has excited proves they are not...The acts of the legislature of New Hampshire...are repugnant to the Constitution of the United States;...The judgement of the State Court must, therefore, be reversed.

Justice Story, who moonlighted as the president of the recently incorporated Merchants Bank of Salem, MA, spoke more to the point. Perhaps so there would be no mistaking the generality of the decision, he extended the principle of corporate inviolability from the Dartmouth College Corporation eastward to the sea—to the Merchants Bank of Salem.

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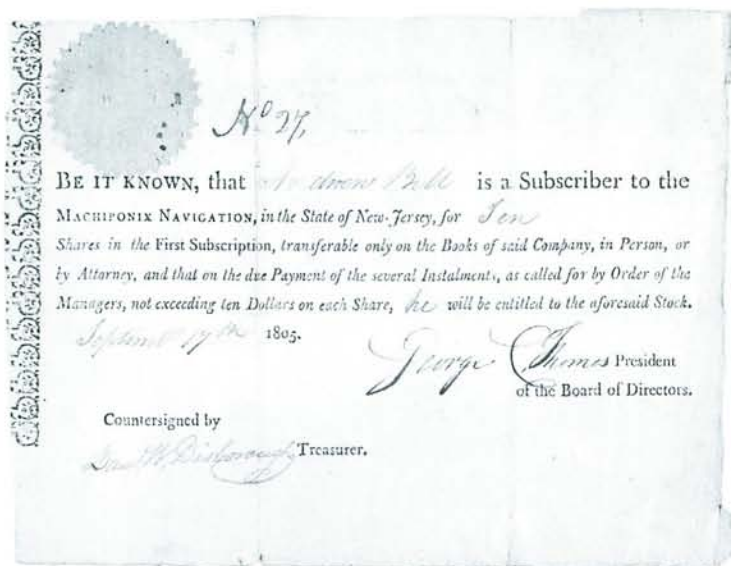


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Justice Story added these remarks:

A bank, whose stock is owned by private persons is a private corporation, although...its objects and operations partake of a public nature. (Note: It was always under the mask of public interest that our early business corporations claimed the corporate cloak. They inevitably described themselves in the preambles to incorporating legislation as do-gooders akin to churches, colleges, poorhouses, etc.) The same doctrine may be affirmed of insurance, canal, bridge and turnpike companies. In all these cases, the uses may, in a certain sense, be called public, but the corporations are private. A misunderstanding about the term 'public' has led to the proposition the government should have the right, as trustee of the public

interests, to regulate, control, and direct the corporation, and its funds, and its franchise, at its own good will and pleasure. This cannot be. Such an authority does not exist in government.

After *Dartmouth College v. Woodward*, entrepreneurs who had squeezed corporate charters for private business through state legislatures by sweetening them up with marmalade of public interest could breathe easy; those charters could not be canceled. The virtues of our competitive system are such that states began to compete for the corporate charter business. States such as New York, which first began to grant only limited duration charters after the Dartmouth decision, either gave up the fight or lost the incorporation business to New Jersey, the Delaware of the 19th century. Today, any American who can pay a modest franchise tax and filing fee can get a corporate charter, which is legally as valid as the kind George III used to put his seal and ribbon on. To be sure his private corporation bears only formal resemblance to General Motors, General Tire, General Electric, or General Telephone.

Since Justice Marshall and his associate justices made their pronouncement, longevity has become as inherent a property of the corporate juggernaut as inertia of matter. Adolph Berle, Jr. calculated the life expectancy of a large corporation to be some 900 years—close indeed to Methusaleh's recorded 963. Few large corporations ever vanish, for self-perpetuation is the real purpose of the corporation become institution, as it is of every institution. When the tobacco corporations felt their existence threatened by the Surgeon General, they went into other businesses. The corporation must survive even if the business purpose it once represented is gone and forgotten. A thousand years from now, if banks have become places of worship as Samuel Butler predicted in *Erewhon*, the depositing congregation will be singing "AT&T, dey live nine hunnert year." Skeptics please note the Bank of The Manhattan Company and The Bank of New York still have their corporate charters.

Editor's Note: Howard Brod (Harvard College '39, Harvard Business School '41) had 25 years of senior marketing experience before becoming a consultant specializing in new product marketing and turnarounds. ❖

108TH CONGRESS 2D SESSION H. CON. RES. 471

IN THE HOUSE OF REPRESENTATIVES, JULY 12, 2004

Mr. PASCRELL submitted the following concurrent resolution; which was referred to the Committee on Government Reform

CONCURRENT RESOLUTION

Recognizing and honoring the life and legacy of Alexander Hamilton on the bicentennial of his death because of his standing as one of the most influential Founding Fathers of the United States.

- Whereas Alexander Hamilton dedicated his life to serving his adopted country as a Revolutionary soldier, aide-de-camp to General George Washington, Representative to the Continental Congress, member of the New York State Assembly, first Secretary of the Treasury of the United States, and Inspector General of the Army;
- Whereas Alexander Hamilton was a poor teenage immigrant to New York from the West Indian Islands of Nevis and St. Croix;
- Whereas in the early days of the Revolutionary War Alexander Hamilton was commissioned as a captain and raised and trained his own New York artillery regiment and served valiantly in the battles of Long Island and Manhattan;
- Whereas Alexander Hamilton quickly captured the attention of General George Washington who made him his aide-de-camp and confidant throughout the most difficult days of the Revolutionary War;
- Whereas in 1781, Lieutenant Colonel Alexander Hamilton of the Continental Army led a bold attack of New York troops during the siege of Yorktown, the decisive and final battle of the Revolutionary War;
- Whereas in 1782, Alexander Hamilton was elected as a member of the Continental Congress from New York;
- Whereas as a private citizen Alexander Hamilton served many philanthropic causes and was a co-founder of the New York Manumission Society, the first abolitionist organization in New York and a major influence on the abolition of slavery from the State;
- Whereas Alexander Hamilton was a strong and consistent advocate against slavery and believed that Blacks and Whites were equal citizens and equal in their mental and physical faculties;
- Whereas Alexander Hamilton was one of the first members of the founding generation to call for a convention to drastically revise the Articles of Confederation;
- Whereas Alexander Hamilton joined James Madison in Annapolis, Maryland in 1786 to officially request that the States call a constitutional convention;
- Whereas Alexander Hamilton was elected as a delegate to the Constitutional Convention of 1787 from New York, where he played an influential role and was the only delegate from New York to sign the Constitution;
- Whereas Alexander Hamilton was the primary author of the

Federalist Papers, the single most influential interpretation of American constitutional law ever written;

- Whereas Alexander Hamilton was the most important individual force in achieving the ratification of the Constitution in New York against the strong opposition of many of the delegates to the ratifying convention;
- Whereas Alexander Hamilton was the leading voice of the founding generation in support of the controversial doctrine of judicial review, which is the backbone for the role of the Supreme Court in the constitutional system of the United States;
- Whereas on September 11, 1789, Alexander Hamilton was appointed by President George Washington to be the first Secretary of the Treasury;
- Whereas as Secretary of the Treasury Alexander Hamilton salvaged the public credit, created the first Bank of the United States, and outlined the basic economic vision of a mixed agricultural and manufacturing society supported by a strong financial system that would underlie the great economic expansion of the United States for the next 2 centuries;
- Whereas Alexander Hamilton was the leading proponent among the Founding Fathers of encouraging a strong manufacturing base for the United States in order to create good paying middle-class jobs and encourage a society built on merit rather than class or skin color;
- Whereas in pursuit of this vision Alexander Hamilton founded The Society for Establishing Useful Manufactures which in turn founded the town of Paterson, New Jersey, one of the first industrial centers of the United States;
- Whereas Alexander Hamilton proposed and oversaw the creation of the Coast Guard for law enforcement in territorial waters of the United States;
- Whereas in 1798, President John Adams called upon Alexander Hamilton to raise an army in preparation for a possible war with France and, as Inspector General of the Army, he trained a powerful force of well-equipped soldiers who were able to help deter war at this vulnerable stage in the founding of the United States;
- Whereas throughout the founding era Alexander Hamilton was the leading advocate of a strong national union led by an efficient Federal Government with significant protections for individual liberties;
- Whereas on July 11, 1804, Alexander Hamilton was fatally wounded in a duel in Weehawken, New Jersey at the hands of Vice President Aaron Burr; and
- Whereas Alexander Hamilton died in Manhattan on July 12, 1804, and was eulogized across the country as one of the leading visionaries of the founding era: Now, therefore, be it Resolved by the House of Representatives (the Senate concurring), That Congress (1) honors the great importance of the life and legacy of Alexander Hamilton to the United States of America on the bicentennial of his death; (2) recognizes the tremendous significance of the contributions of Alexander Hamilton to the United States as a soldier, citizen, and statesman; and (3) urges the people of the United States to share in this commemoration so as to gain a greater appreciation of the critical role that Alexander Hamilton had in defense of America's freedom and the founding of the United States.

108TH CONGRESS
2D SESSION

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The President's Column



2007

Exciting yet Challenging!

I hope you all had a great holiday season and were fulfilled and fulfilled the lives of others around you. We ended the year of 2006 at the PCDA show in St. Louis. It was a good show and the hobby seems to still be on a high. The floor traffic was slow on Saturday, but Friday seemed a good day. We had probably 20-30 people at our general membership meeting to give us feedback on our new educational initiative. Wendell did the first presentation at FUN and I am sure he did a great job. Some asked us to develop grading standards. I maintain that the goal and mission of the SPMC is to "educate, not dictate." In other words, we hope to give collectors the tools to look at and scrutinize notes and thereby interpret the grade and price, as well insuring that the note is genuine and has not been assisted in its appearance. I think this is a great initiative and I look forward to taking it further. Also at the meeting, I asked for input from the members and except for the desire to have regional meetings west of the Rockies (which we will begin to investigate immediately), it seems the collector base is satisfied with our direction. If not, please let me know. On a side note—the Eric Newman museum opened and one of our board members visited it and said it is great, well worth the trip and encouraged everyone to go see it. We owe a debt of gratitude to Mr. Newman for this great opportunity he has given the hobby. By the way, Eric (SPMC #9) is one of the senior members (along with Roy Pennell, SPMC #8, and Harry Forman, SPMC #13) of our organization.

I see 2007 as exciting because I don't see the hobby falling off and think it will maintain its momentum. I also say it will be challenging. I say this for two reasons. First, we have to act to make sure the momentum stays high. Exhibit, give lectures, write an article—all things all collectors can do. The second reason I think this will be a challenging year is that our hobby is on what I see as a precarious slippery slope. I see the highs, but also see some cooling down and the real potential that many new collectors are buying holders and grades and not notes. I fear that when they try to turn these notes over, they will get far less than they paid and therefore get discouraged and leave the hobby. I think the best way to ensure this does not happen is to promote our new educational initiative and teach collectors how to insure they get what they are buying. I was asked if I was presiding over the death of the society. I really feel that I am not. While our membership growth is flat, that seems to be the standard in all of numismatics. Whether this is due to less disposable income or less time to devote to hobbies, I don't know, but I think if we all work and promote our hobby, it will grow and only get stronger. We are only as good as our members and I challenge you to do something to further promote it!

Benny

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If you have suggestions for candidates, or if the governors named above wish to run for another term, please notify Nominations Chairman Tom Minerley, 25 Holland Ave #001, Albany, NY 12209-1735.

In addition, candidates may be placed on the ballot in the following manner: (1) A written nominating petition, signed by 10 current members, is submitted; and (2) An acceptance letter from the person being nominated is submitted with the petition. Nominating petitions (and accompanying letters) must be received by the Nominations Chairman by March 15, 2007.

Biographies of the nominees and ballots (if necessary) for the election will be included in the May/June 2007 issue of *Paper Money*. The ballots will be counted at Memphis and announced at the SPMC general meeting held during the International Paper Money Show.

Any nominee, but especially first-time nominees, should send a portrait and brief biography to the Editor for publication in *Paper Money*. ❖

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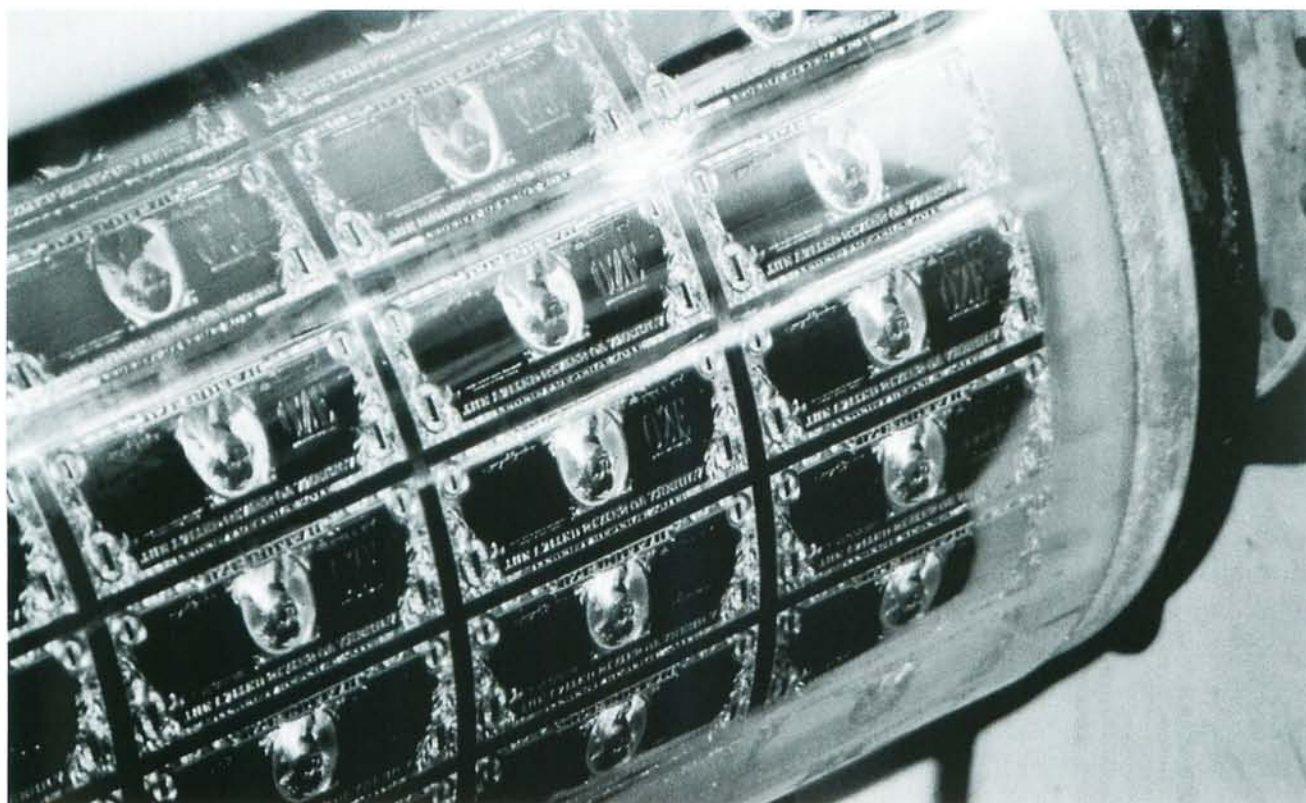
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Web test press named for first Treasury Secretary Hamilton Press prints both sides of FRNs

By Michele Orzano

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Above: Close-up of the plate used to print the face of \$1 Federal Reserve Notes.

Printing of the face of the notes begins here.

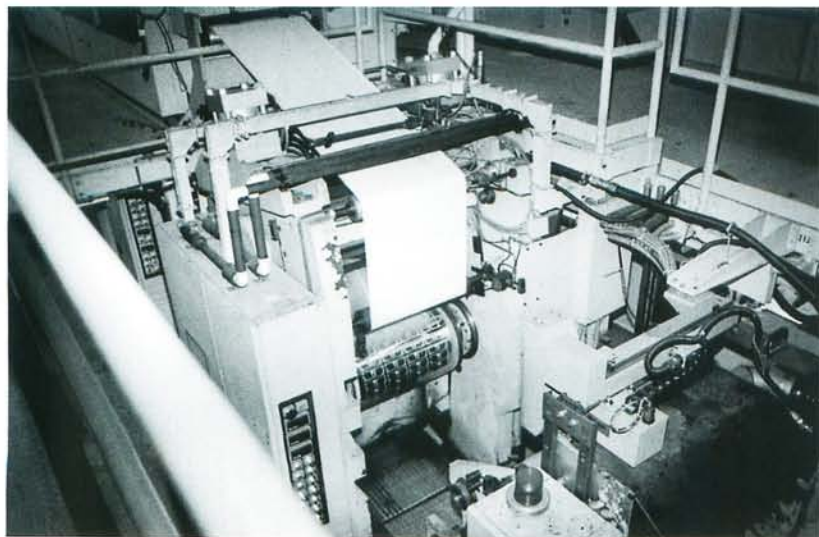
AFTER MAKING REQUESTS FOR TWO YEARS, *COIN World* finally got its first look at the Bureau of Engraving and Printing's \$12.7 million web-fed currency system. Unfortunately, it wasn't running.

The day *Coin World* visited, July 12, 1994, the 120-foot long press had been shut down for almost two months. According to James H. Salter, acting manager

of the web currency manufacturing unit, the last time the press ran was May 17th. Since then, web-fed press officials have been waiting for new plates to print Series 1993 \$1 Federal Reserve notes. Those plates will bear the signatures of U.S. Secretary of the Treasury Lloyd Bentsen and U.S. Treasurer Mary Ellen Withrow.

New plates for the sheet-fed presses took priority, according to Salter, who said he didn't know when to expect Series 1993 plates for the web-fed press.

Salter, who served as manager from the time the contract was awarded in 1986 until the BEP took possession of the press in August 1991, began his work



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with the BEP in 1972. The Alexander Hamilton press, considered by BEP officials as a prototype model, was designed by Hamilton Tool Inc. of Hamilton, Ohio. The BEP said the purchase price of the press was \$10.2 million. According to BEP officials, about "\$2.5 million more has been spent on testing and developmental efforts" in addition to "costs normally associated with site preparation and installation."

What makes the web-fed system different from the BEP's sheet-fed presses is that the back, and then the face of the note is printed on the same press as a web of paper passes over two chrome-plated copper printing cylinders of 96 subjects each. Salter said it takes three men to operate the equipment, and when in operation, is in use on only one shift.

The process begins with a continuous roll of 25.5-inch wide paper threading its way through various printing process stations tucked along the 120-foot-long machine. Rolls of paper for the web-fed press are 23,000 to 24,000 feet long, and weigh between 950-970 pounds. Approximately 400 feet of paper is threaded through the machine during a press run.

The first stage in the process is the vacuum unit, which removes loose particles from the web (paper). Then there is an optical camera to check for flaws, holes or tears in the paper. In addition, there is a mechanical detector that looks for anything in the web more than twice as thick as the web. There are also sensors to detect the moisture and/or dryness level of the paper as it is going through the unit.

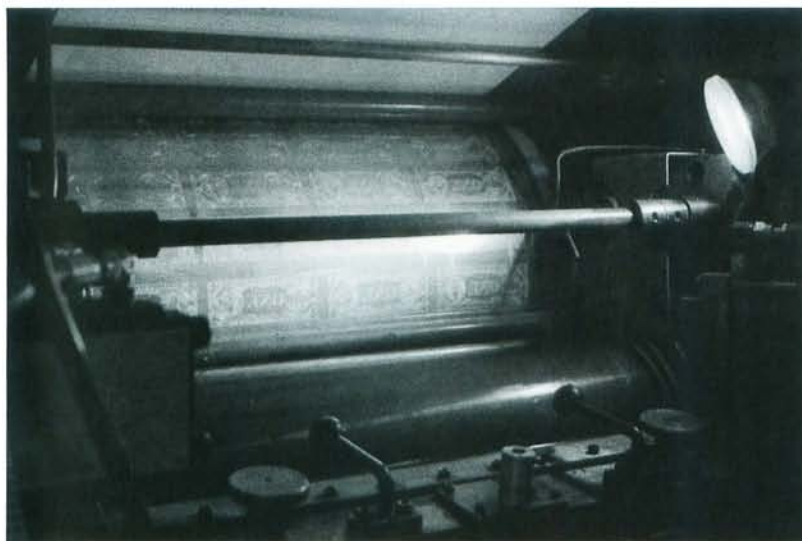
Salter said BEP officials have never had to add moisture at this stage. He said the paper is produced in a climate-controlled plant and stored in climate-controlled areas of the BEP, which helps control the amount of moisture it might absorb.

After checking the moisture/dryness level of the paper and adding appropriate moisture or drying the paper if necessary, the actual printing process begins. The paper comes in contact with the "sleeve" that contains three 32-subject note plates of the back of the note which then applies a 96-subject impression of the back of the note.

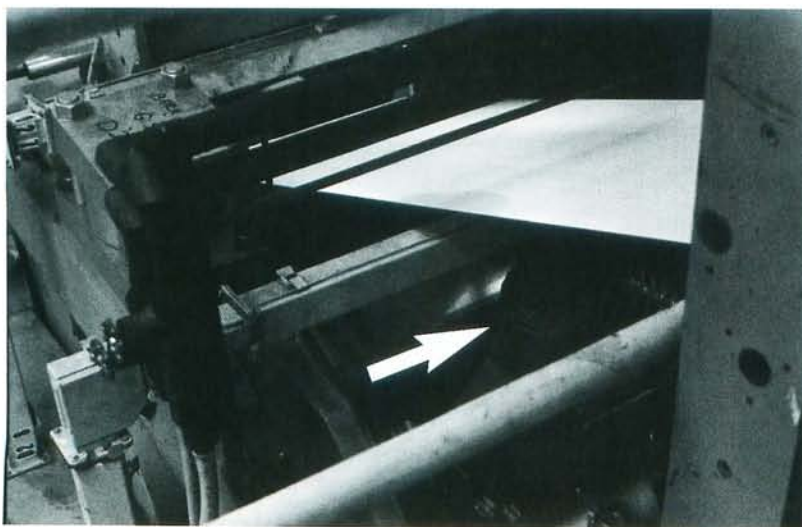
Next comes a visual inspection by a camera synchronized with a strobe light to continuously scan the paper from side-to-side while the press is running to check on the printing quality. The camera is searching for evidence of too much ink, too little ink, or smears.

The paper is then fed into a gas-fired oven which maintains a 280-degree web temperature. The paper is then cooled and the moisture level is checked and adjusted if necessary. The process is repeated to print the face of the notes. Once the printing of the front of the note is complete, the paper once again is checked for moisture level before being sent to the oven to dry.

Light mounted inside the web-fed press shines on plate used to print the back of the notes. This "sleeve" contains three 32-subject note plates that apply a 96-subject impression on the paper as it passes through.



First stop is a vacuum unit that removes loose particles from the paper. White arrow indicates the black vacuum tube beneath the paper.



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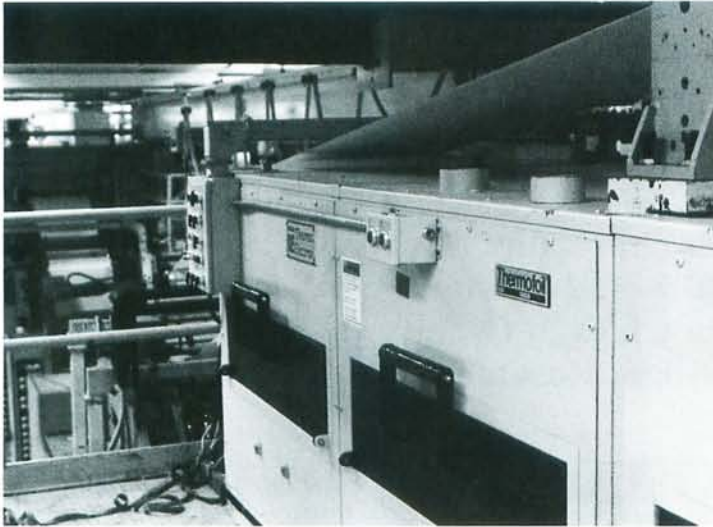
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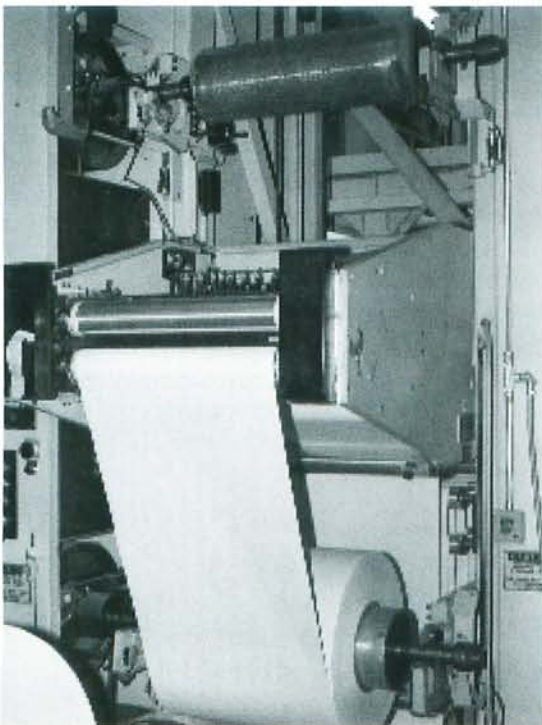
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As the paper nears the end of its run, an inspection unit has been installed which is the second module of an automated on-line inspection system, according to BEP officials. It was delivered last fall and is now undergoing a series of test trials. BEP officials say they expect the "developmental and full conversion to these systems to take about 10 years."



Gas-fired oven, mounted above printing area, maintains a 280-degree web temperature to dry the paper after printing. The paper is then cooled and the moisture level is checked and adjusted if necessary.

Below: Paper begins its journey through the web-fed press.



A check is again made on the quality of the printing. If a particular section is bad, it is marked with a symbol recognizable by an automatic sorting machine under development by the BEP. Flawed notes are sent to the mutilation bin. Almost all of the rejects are over-inked or under-inked.

If the notes pass inspection, they are sent upstairs to the Currency Overprinting and Processing Equipment that applies the black Federal Reserve Bank seals and four Federal Reserve numbers and the green Treasury seal and serial numbers -- called the overprint -- before the sheets are cut, stacked and packed for shipment.

Notes printed on the web-fed press are easy to spot because of certain adaptations made for

the press. Most significantly, the plate location number and face check letter have been eliminated from the face of the notes and the plate number on the back of the notes has been moved from the bottom of the E in ONE to the top.

Salter said there are six major tension zones scattered throughout the machine that continuously monitor paper tension, two other areas that specifically check face and back registration, and three moisture units.

In addition to checking for printing quality and registration, equipment on the press will also detect whether a pollution control device is malfunctioning or whether the continuous roll of paper tears during the printing process, at which point it will automatically shut the press down if it detects problems.

Salter, who acknowledged that the depth of the engraving on the plates has been reduced in spots, but wasn't specific about where, said the press is still officially considered to be in the developmental stage, although the press has produced acceptable quality notes.

Salter said the BEP is currently testing inks and paper on the press, which still requires some fine tuning. He said they want to make the optimum use of the 75-percent cotton, 25-percent linen paper used. Because the web-fed press uses moisture during the printing process, the wet-tensile strength is a prime consideration.

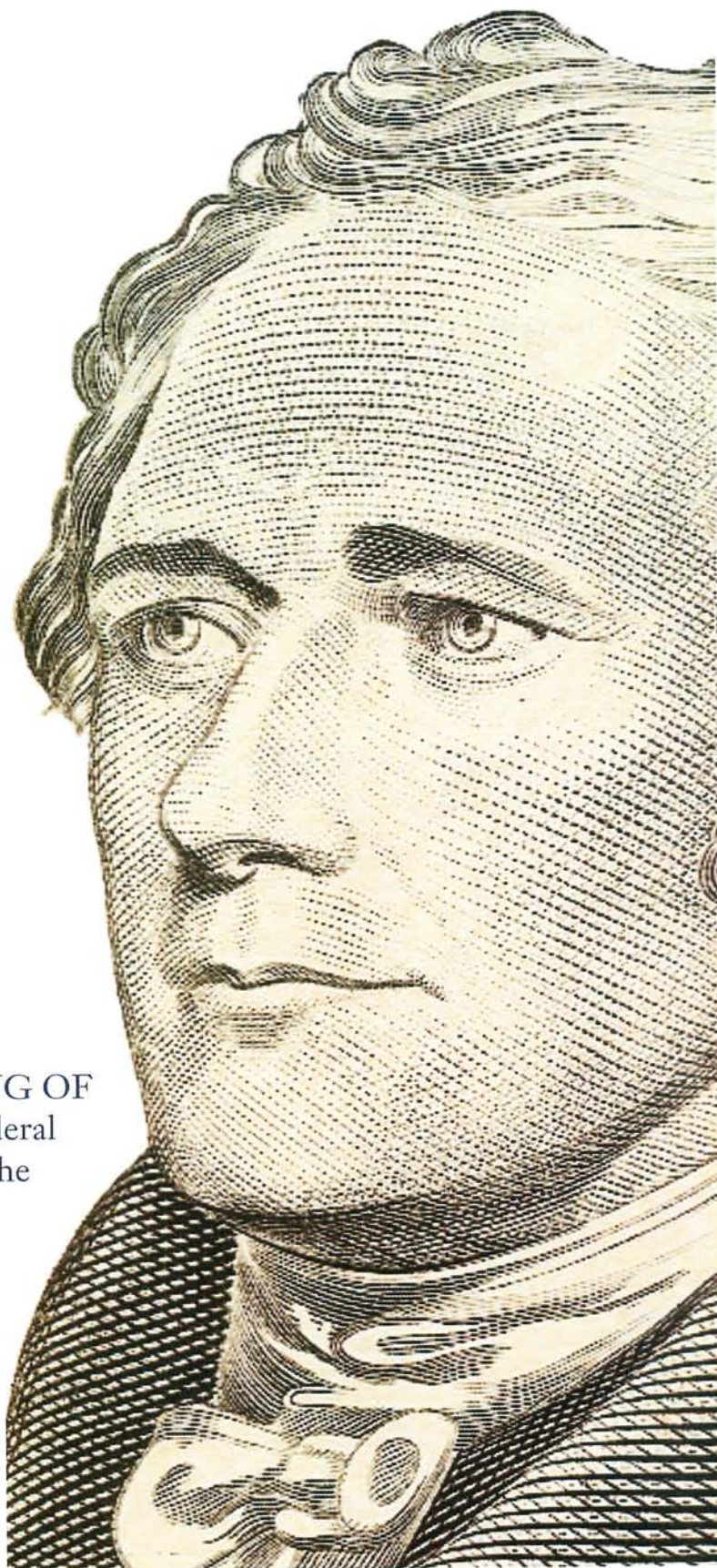
According to Dennis R. Jacobs, assistant for technical services for the web-fed press, this is the only wide web press currently using the intaglio method of printing. Jacobs emphasized that the intaglio printing requires different pressure on the press and different paper properties. Those requirements in turn call for tighter controls on the tension, moisture and dryness of the paper.

France uses several web-fed presses that print single-note wide, but Jacobs said "this is the only operating bank note press that prints both sides in one pass." "The ink, paper and plates are all unique for this press -- it's all together unique," Jacobs said. ♦

The Stylish Secretary

The Story of Secretary Alexander Hamilton's Portrait on the New \$10 Note

WITH THE UNVEILING OF the Series 2004A \$10 Federal Reserve Note (below) last year, the portrait of Alexander Hamilton, first Secretary of the Treasury, once again graces the face of the note.



Portrait detail engraved by BEP Portrait Engravers Kenneth Kipperman and William Fleishell III, Series 2004A \$10 Federal Reserve Note face.

A NUMBER OF DIFFERENT portraits of our first Secretary of the Treasury have graced U.S. currency. Hamilton's image first appeared on the \$10 note beginning with the Series 1928 Federal Reserve Notes. The earliest use of the secretary's portrait, however, was on the \$5 Demand Note, Series 1861.

The new note was released March 2nd, but this portrait and the Bureau of Engraving and Printing have had a long association. To understand this association we must go back to an earlier period and a different BEP product.

Fifty years ago on Jan. 11, 1957, a commemorative postage stamp celebrating the bicentennial of Alexander Hamilton's birth was issued in New York City. The Post Office Department commissioned BEP to design the stamp, supplying BEP designers with a portrait of the first Secretary.

This article is based on exhibitions at the BEP facilities in Washington, DC and Fort Worth, TX surrounding release of the NexGen colorful \$10 note. BEP's Curator, Cecilia Wertheimer and her staff prepared these exhibits, which are shared with *Paper Money* readers by Claudia W. Dickens, Manager, Division of External Affairs at the BEP. While nearly everyone in the BEP Historical Resource Center played some role in putting these exhibits on display, Barbara A. Bither and Colleen Hennessey, both of whom work for HRC under the Byther, Managing Collections, LLC contract, wrote the labels and captions and selected the topics as well as the contents of the exhibits. Ravinder Ganjoo prepared the images. Photos not otherwise credited are courtesy of the Department of the Treasury, Bureau of Engraving and Printing.



Engraved portrait of Alexander Hamilton by BEP Portrait Engravers Kenneth Kipperman and William Fleishell III, Series 1999 \$10 Federal Reserve Note face.



Three-cent postage stamp, 1957 Bicentennial of Alexander Hamilton's Birth. Portrait engraved by Richard M. Bower, 1956.

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Q. DAVID BOWERS and **DAVID M. SUNDMAN** are involved in a long-term project to describe the history of all currency issued in the State of New Hampshire, as well as to compile a detailed registry of all known notes (whether for sale or not). Our area of interest ranges from early colonial times through the Revolutionary era, the state-chartered bank years (1792-1866), and the era of National Banks (1863-1935). This will result in a book under the imprimatur of the Society of Paper Money Collectors, with help from the New Hampshire Historical Society, the Smithsonian Institution, and others.

Apart from the above, David M. Sundman is president of Littleton Coin Company and Q. David Bowers is a principal of American Numismatic Rarities, LLC, and both advertisers in the present book. For other commercial transactions and business, refer to those advertisements.



The authors of the present book, holding a rare Series of 1902 \$10 National Bank Note from West Derry, New Hampshire.



A typical NH Obsolete Note, this from the Winchester Bank.

A Series of 1882 \$10 Brown Back from the Winchester National Bank.



This same building was used for the Winchester Bank and its successor, the Winchester National Bank.



Teller window circa 1910, Winchester National Bank

If you have New Hampshire currency or old records or correspondence relating to the same, or other items of historical interest, please contact us. In addition, Bowers and Sundman are avid collectors of these bills and welcome contact from anyone having items for sale. We will pay strong prices for any items we need!

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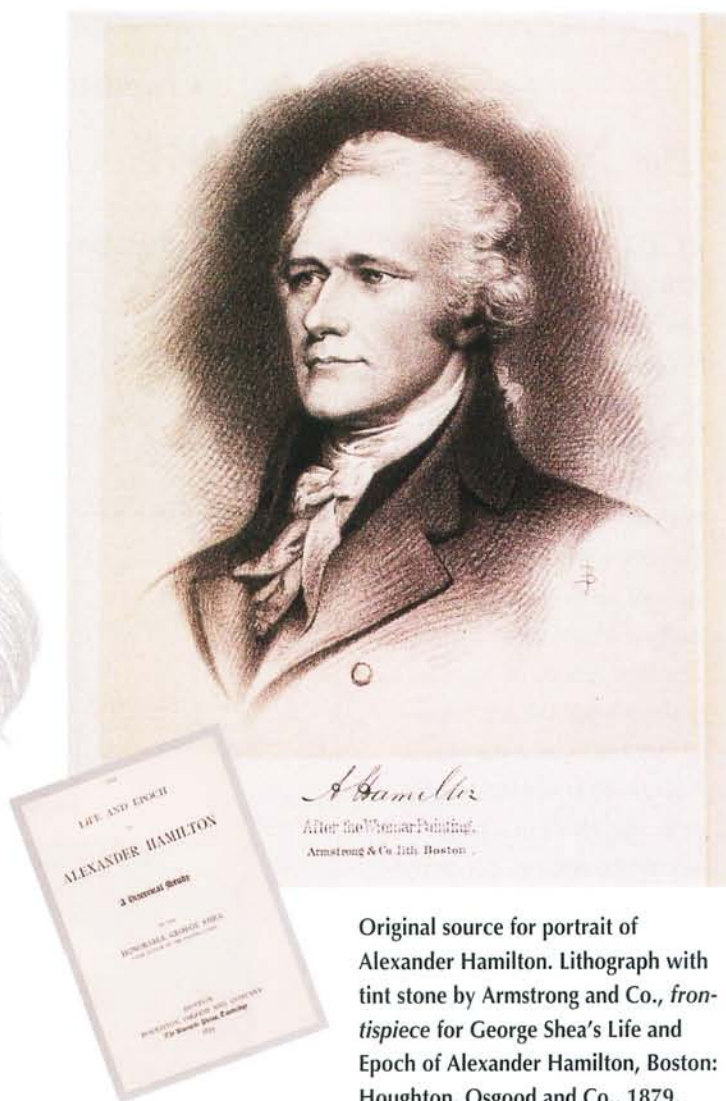
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THE ORIGINAL IMAGE CAME from a lithograph after a full-length painting by John Trumbull located in New York City Hall. This painting is also known as the Wiener portrait. The lithograph was printed by Armstrong and Co. as the *frontispiece* to George Shea's book, *The Life and Epoch of Alexander Hamilton*, published in 1879.

Development of the stamp began in August of 1956 when John Underhill, a representative from the Alexander Hamilton Bicentennial Commission, requested, with the approval of the Post Office, that BEP prepare rough sketches, which were to include the portrait of Hamilton and Federal Hall in New York City.

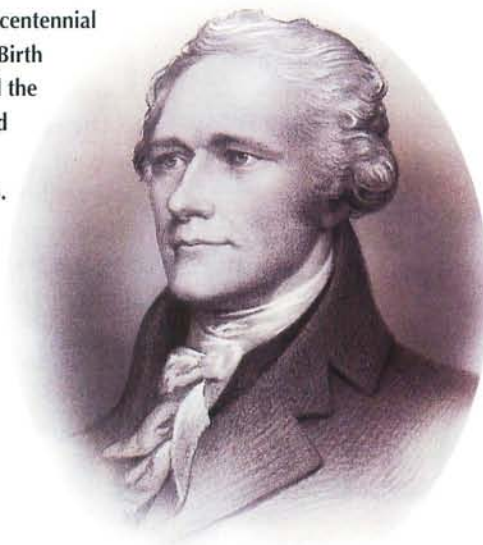
Bureau designers Charles R. Chickering, Victor S. McCloskey, and William K. Schrage each prepared models for the bicentennial stamp.

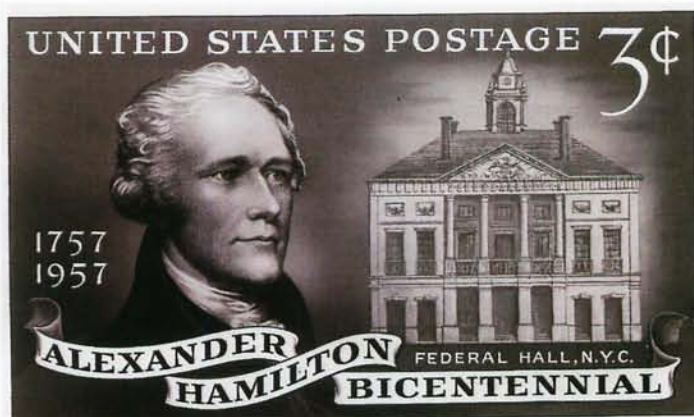
Schrage, who prepared the artwork chosen for the stamp, reversed the portrait from the original lithograph. By August 20th William K. Schrage had completed the artwork for the portrait. On the 20th, proposed postage stamp designs were delivered to the Commission.



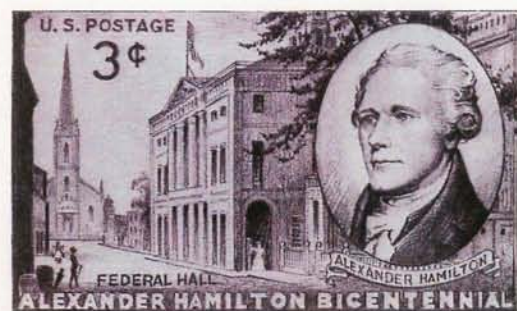
Original source for portrait of Alexander Hamilton. Lithograph with tint stone by Armstrong and Co., *frontispiece* for George Shea's *Life and Epoch of Alexander Hamilton*, Boston: Houghton, Osgood and Co., 1879.

Artwork for the 3-cent Bicentennial of Alexander Hamilton's Birth postage stamp, 1957, and the \$10 FRNs Series 1999 and 2004A, designed by William K. Schrage, 1956.





Artwork, 3-cent postage stamp, Alexander Hamilton and Federal Hall, Bicentennial of Hamilton's Birth, 1957. Designed by William K. Schrage, 1956, and approved for production.



Above: Two photographic copies of rejected postage stamp designs, 3-cent Alexander Hamilton and Federal Hall, Bicentennial of Hamilton's Birth, 1957. Designed by Victor S. McCloskey Jr. (top), and Charles R. Chickering (immediately above), 1956.

Right: Model approving production of 3-cent postage stamp, Alexander Hamilton and Federal Hall, Bicentennial of Alexander Hamilton's Birth, 1957. Signed by Arthur E. Summerfield, Postmaster General.



OF THE SEVERAL DIFFERENT models submitted by designers McCloskey, Schrage and Chickering, Schrage's was the one finally selected. Models from all three designers are illustrated.

It was not until the end of October that the model was approved, and work on the die begun by engravers Richard M. Bower and George A. Payne. By December 10th, plates were certified and printing began. First delivery of completed sheets to the Post Office Department was on Dec. 27, 1956.

In all of the models for the stamp, Hamilton and Federal Hall are included with the portrait, in two cases being reversed from the original design source to balance composition of the stamp. The inclusion of Federal Hall was important for it was the site of the first meetings of the Federal Government after the ratification of the Constitution in 1788.

Hamilton served as the New York delegate to the Constitutional Convention in Philadelphia, and was one of the signers of the Constitution.

THE NEWLY RELEASED \$10 Federal Reserve Note is based on the Series 1999 design concept. In 1998, Bureau designers returned to Schrage's 1957 portrait to create the new, larger engraving of Hamilton used on the Federal Reserve Note. Thus, the portraits of Hamilton, used for both Series 1999 and 2004A, comes from the same artwork and design source as the bicentennial postage stamp.

During planning for the Series 1999 \$10 note several designs were considered including a different portrait of Alexander Hamilton. It was rejected because Hamilton looked far too young to be a statesman on U.S. Currency. This portrait is based on an 1865 Daniel Huntington painting after a portrait by John Trumbull.

BEP Portrait
Engravers Kenneth
Kipperman and William
Fleishell III engraved the
portrait for the note.

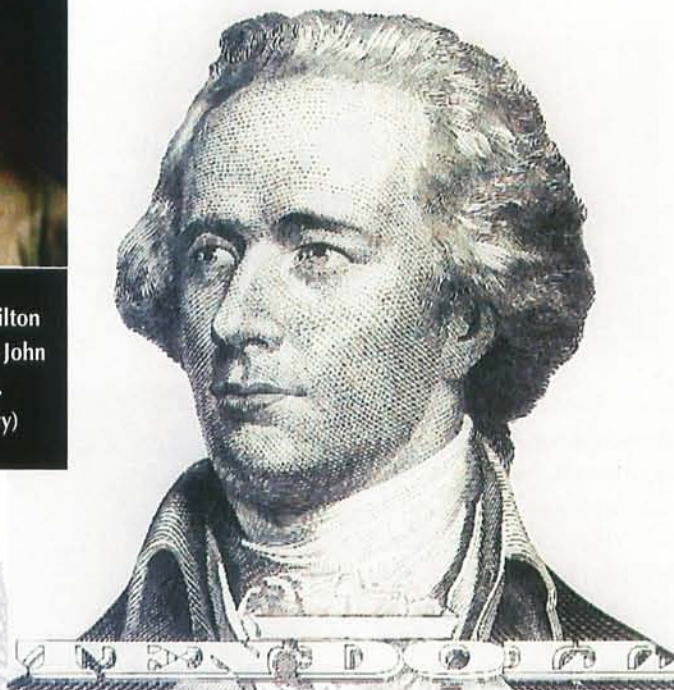
Important changes from the first series include the elimination of the concentric circles which had surrounded Hamilton's image, the addition of shoulders, and the movement of the portrait up into the decorative lathe work at the top of the note.



Computer-generated, rejected face design concept for the \$10 FRN, Series 1999. Design attributed to V. Jack Ruther and/or Peter M. Cocci, 1995, and back design concept A.



Painting of Alexander Hamilton by Daniel Huntington after John Trumbull, circa 1847-1851. (Department of the Treasury)



Portrait of young Alexander Hamilton engraved by Thomas R. Hipschen in 1995 for the new \$10 note, but rejected for use because the unfamiliar image of Hamilton was considered too young and dashing.



202024-1
12900

222579

4-8-04

Progress proof, \$10 Federal Reserve Note, Series 2004A, face. Proof is from final die used for Series 2004A, before the shoulders and coat were added. Portrait engraved by Kenneth Kipperman and William Fleishell III, 2004.



202024-1
B-40338-ovI

COPPER WITH CURET
222840

Die Work

10-19-2004

Above and below: Engraved proofs, \$10 Federal Reserve Notes, Series 2004A, faces. A representation of Liberty's torch appears in metallic ink.



202024-1
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222841

Die Work

10-19-2004

ORANGE, YELLOW AND RED colors have been added to the background. A rendition of the torch from the Statue of Liberty and the beginning line of the Preamble to the Constitution, "We the People . . .," appears in red behind the Federal Reserve and Treasury seals.

Completed in 1884, the Statue of Liberty remains a symbol of freedom and democracy throughout the world. Her torch, an emblem of life and enlightenment, is the familiar icon that has become shorthand for both the larger figure and her deeper meaning.

To the right of the former Secretary, Liberty's torch again is seen as a small engraved icon. Liberty, as an allegorical female figure, has often been a source of imagery for earlier issues of currency, where she has appeared in classical garb accompanied by an evolving inventory of symbols. The Statue of Liberty has also appeared on our currency, notably on the backs of large size Federal Reserve Notes and Federal Reserve Bank Notes.



AS A COMPLEMENT TO THE portrait of the first Treasury Secretary, it is only fitting that the back of the note includes a vignette of the Department of the Treasury building. This view is the same as the one used for the Series 1999 note, but the building's surroundings have been made more natural with clouds replacing concentric lines of the previous series.

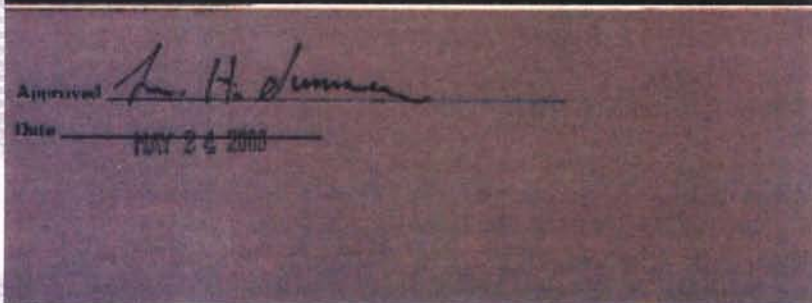
This image of the Treasury building is based on an engraving done by Louis S. Schofield in 1923 from a pre-World War II photograph. BEP Portrait Engraver Christopher D. Madden engraved the Series 1999 vignette of the Treasury building on the reverse of the \$10 note. Also contributing to the back design was BEP Letter Engraver Gary Slaght.

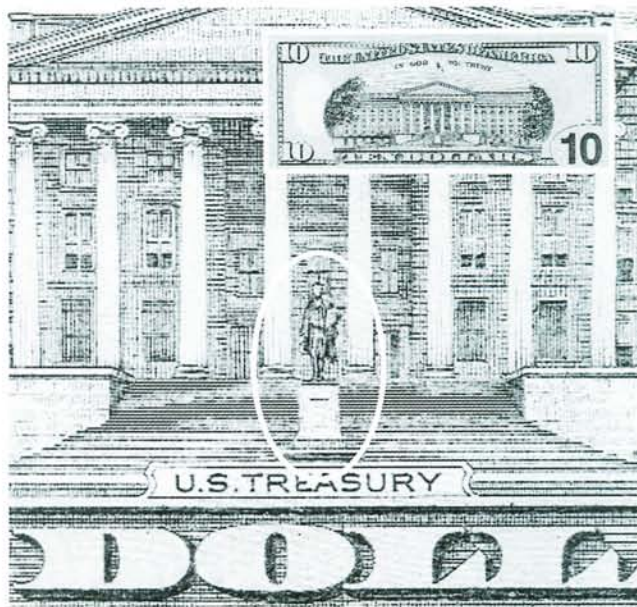
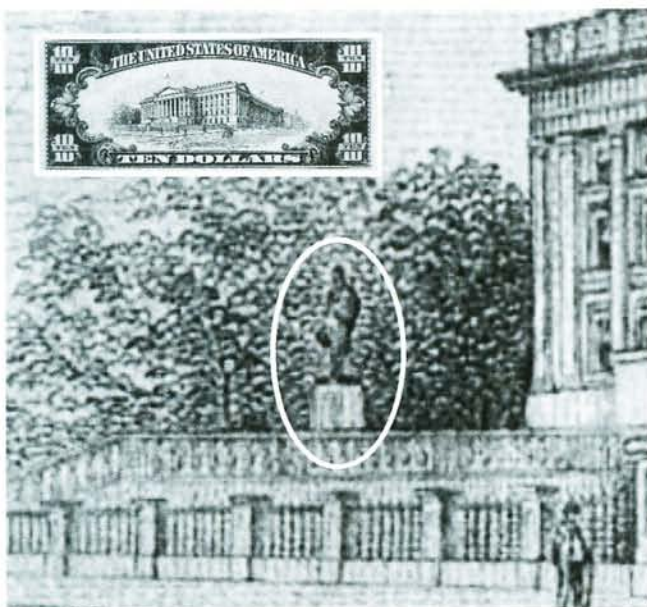
Why is Alexander Hamilton so important that he would appear on so many United States notes over nearly a century and a half? His legacy remains an indelible imprint on our money and our times. ♦



Above: Computer-generated back design concept B for the \$10 FRN, Series 1999. Notice differences from the accepted design below.

Below: Approved model for the Series 1999 \$10 Federal Reserve Note, face and back, signed by Secretary of the Treasury Lawrence H. Summers.





Famous James Earle Fraser statue depicts Treasury Secretary New sawbuck backs portray Hamilton clearly

By Fred Reed

FOR EIGHT DECADES Alexander Hamilton has shared a distinction with Abraham Lincoln. Each appears on BOTH the face and back of modern small size U.S. currency.

Lincoln's portrait on the \$5 face and his shadowy appearance between columns on the Memorial back is widely known. In fact, Lincoln's dual appearance is a standard trivia quiz answer. However, our first Treasury Secretary's dual presence on \$10 bills is less well known.

The reasons for this oversight are easy to explain. Like Lincoln, Hamilton's back image is in the form of a statue, but unlike the Great Emancipator ensconced in his Greek temple on the Mall, Hamilton's freestanding bronze is on the south plaza of the Main Treasury Building.



In the past Hamilton has been easy to overlook because the angle of the source model L.S. Schofield used for the Treasury engraving when small size currency was introduced poses the standing figure against a backdrop of foliage. The engraver attempted to lighten this backdrop, but it takes a discerning eye to find Hamilton.

Unlike the 1929 and later



notes which show the Treasury's Greek-revival south face from the southeast, these newer 1999-date FRNs depict the edifice's south head on. Thus, Chris Maden's closeup, full-face engraving plaza shows the statue larger and in greater detail on its sunny south plaza location.

The heroic-sized Hamilton statue is the work of sculptor, coin and medal designer James Earle Fraser. A member of the Commission of Fine Arts during the post-WWI era when much of the adornment that graces the Nation's Capital was produced, Hamilton was Fraser's first great public commission, followed by many federal projects in succeeding years.

Fraser's Hamilton bronze was dedicated on May 17, 1923, with President Harding and Treasury Secretary Mellon present. Art historians have labeled it the finest freestanding single sculpture in the federal District of Columbia, a city dazzling with artistic ornamentation.

According to tradition, a bit of mystery shrouds this statue. At its dedication, President Harding mentioned a donor, but did not reveal his/her identity. "News reports," according to one source, "attribute the statue to a veiled woman who was reported to have donated the funds." This donor's identity is still unknown.

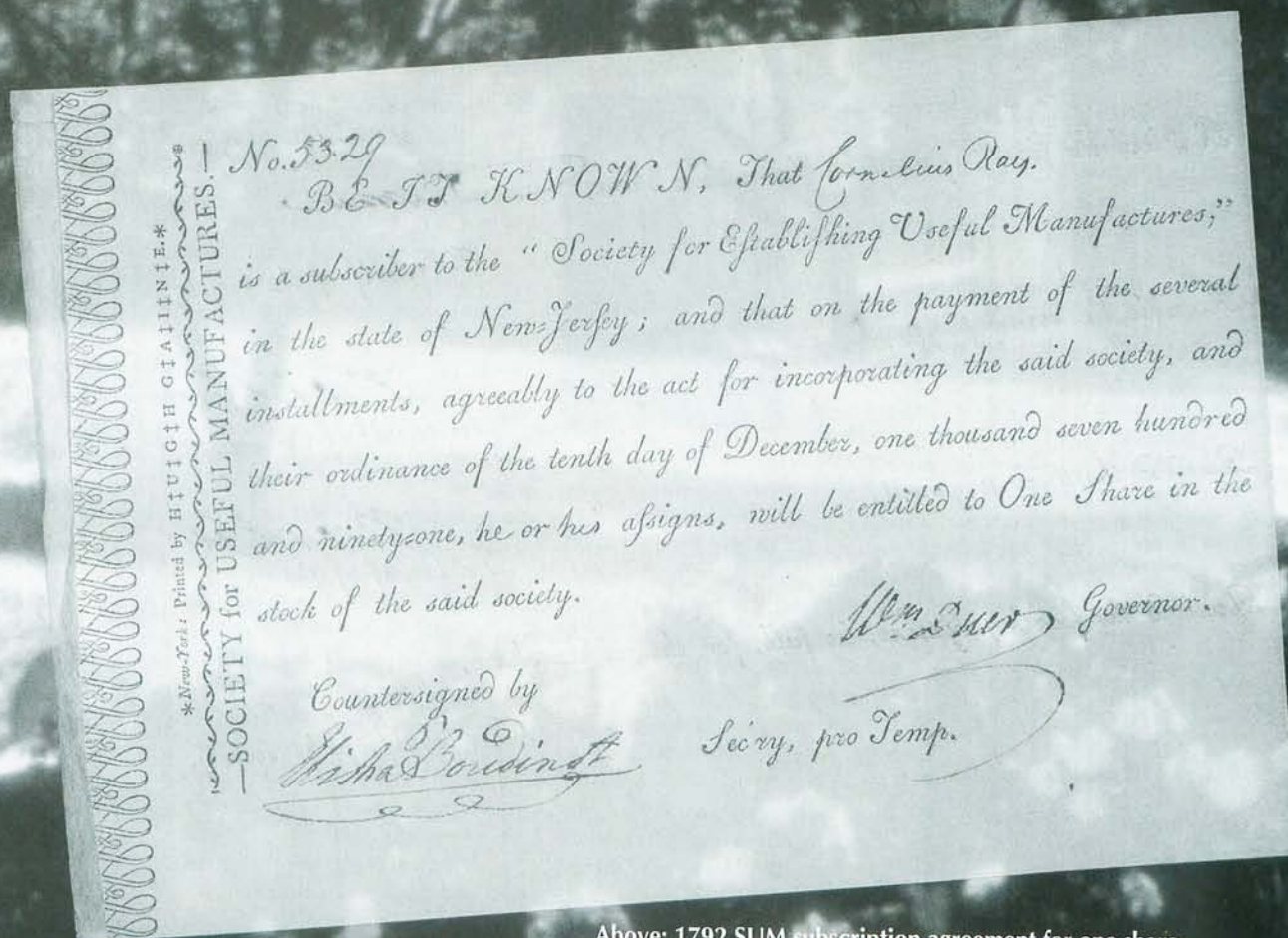
Interestingly, Fraser also sculpted the companion heroic-sized bronze statue of our fourth Treasury Secretary Albert Gallatin (right), which graces the opposite, north plaza of the main Treasury Building. ♦



Hamilton's Great Experiment

The Society for Establishing Useful Manufactures

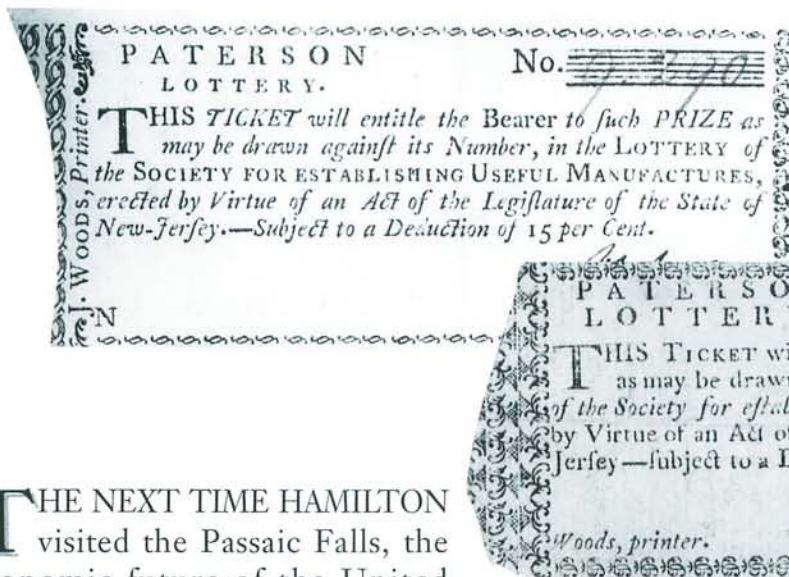
By Russell Roberts



Above: 1792 SUM subscription agreement for one share.
Background: The Great Falls seen from Harry B. Haines Overlook Park.
(Photos not otherwise credited, courtesy of Great Falls Visitor Center)



IN JULY 1778, GEORGE WASHINGTON, THE MARQUIS de Lafayette, his aid-de-camp Colonel James McHenry, and Colonel Alexander Hamilton took a break in the midst of the American Revolution to have a picnic. The place they chose to enjoy their “modest repast” of cold ham, tongue and biscuits was near the Passaic Falls in northern New Jersey. The soldiers could hardly have picked a more bucolic spot to get away from the worries of the war. The only sign of civilization was a small town nestled at the foot of the falls, consisting of just 10 homes, a tavern, and a main street called Peace and Plenty Lane. It was, wrote McHenry, a “cheerful” time. . . .



Printed tickets for prizes in the lottery sponsored by the Society for Establishing Useful Manufactures. Background: SUM wrought iron sign near the falls.

THE NEXT TIME HAMILTON visited the Passaic Falls, the economic future of the United States would be at stake.

Man Versus Machine

Eleven years later, having won the war, President Washington and Secretary of the Treasury Hamilton were trying to secure peace by placing their young nation on a firm footing within the international community. Both realized that the United States had to develop more industrial capability, so that it wouldn't be dependent on foreign sources for manufactured goods. As Washington wrote in 1789, "the greatest and most important object of internal concern ... are manufactures and inland navigation."

Accordingly, on Jan. 15, 1790, the House of Representatives directed Hamilton to prepare a report on manufactures, "particularly the means of promoting such as will tend to render the United States independent of foreign nations for military and other supplies."

Hamilton was certainly the right man for the job. He fervently believed in using the federal government's power to build a strong national economy based on business and industry.

This view was the opposite of that held by Thomas Jefferson and others, who favored an agrarian economy. "Cultivators of the earth are the most valuable citizens, the most independent, the most virtuous," Jefferson said.

To Hamilton, the idea that a nation of farmers could compete against the economic might of industrialized Europe was hopelessly *naïve*. In the Report on Manufactures he submitted to Congress, Hamilton pleaded for government intervention in manufacturing. "In what can it [the public purse] be so useful, as in prompting and improving the efforts of industry?" he wrote. Hamilton proposed that the federal government spend \$1 million, two-percent of the national debt, to build a "national manufactory."

Although this idea was rejected by Congress, Hamilton had no intention of abandoning it. If public financing would not work, Hamilton would build his national manufactory

with private funds. Thus, the Society for Establishing Useful Manufactures (SUM) was born.

The SUM

In August 1791, Hamilton, his friend and financial speculator William Duer, and four others met in New Brunswick, NJ to draft the SUM prospectus. It called for an initial capitalization of \$500,000, raised by selling corporate stock, that would be used as seed money to build factories, buy machines, and hire workers.

The SUM was to have 13 directors, including a governor and deputy governor. The number of votes for each stockholder was in proportion to the number of shares held. However, neither the United States nor any state that held stock would have more than 100 votes. By stipulating that the SUM's capital stock consist largely of government bonds and shares in the Bank of the United States, Hamilton was tying together manufacturing, the federal government and SUM stockholders.

The SUM got off to a rousing start. Thanks to Duer's connections, \$600,000 worth of stock was sold, including \$25,000 to a group of Dutch bankers. The SUM charter, shepherded by New Jersey Governor (and SUM stockholder) William Paterson through the state legislature, was the sweetheart deal of the century. It granted tax-exempt status to the SUM and its property. State taxes, however, would have to be paid after the first 10 years. The SUM could govern its own lands, condemn other property for its use, and hold lotteries to raise revenue. The corporation also had exclusive domain over the Passaic River, meaning that it controlled a critical water supply for much of northern New Jersey. The SUM chose a site near the Passaic Falls for the venture, so they could harness the falls' tremendous waterpower. They named the site Paterson, after New Jersey's governor.

Disaster

Unfortunately, this good beginning was no guarantee of success. Things began to go wrong for the SUM when William Duer was named governor. This critical lack of judg-



Above: 1879 Rogers Locomotive building on Spruce St. Right: Alexander Hamilton statue by Franklin Simmons at the overlook. Below: Society for Establishing Useful Manufactures 2-cent note (courtesy Heritage/Currency Auctions of America).

ment came back to haunt the corporation when Duer's shady financial schemes shattered early in 1792, landing him in jail, tarnishing the SUM, and igniting a national economic collapse. With Duer went at least \$10,000 of SUM money earmarked for machinery and workers, as well as an undisclosed amount of corporate funds he had "borrowed" to finance his speculations. Other SUM directors who had given money to Duer also found themselves suddenly bankrupt.

Without government aid, and with private investment drying up, the SUM teetered on the brink of insolvency. Into the breach leaped Hamilton, not willing to let his dream die. He personally inspected factory sites, arranged loans, lent money out of his own pocket to buy machinery, and hired Pierre L'Enfant, the architect of Washington, DC, to design Paterson.

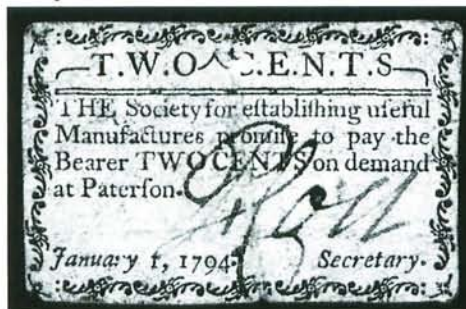
But Hamilton's herculean efforts were not enough. The SUM was constantly under-capitalized, L'Enfant proved a disaster and was fired, and skilled workers were few and far between in agrarian America. Although a few factories were built, Paterson was hardly the vibrant industrial complex that Hamilton had envisioned. In 1796, the factories were abandoned and Paterson became a virtual ghost town.

Hamilton's great dream had ended in failure ... or had it?

Aftermath

The SUM lay moribund until 1809, five years after

Hamilton's death, when Roswell Colt became governor and again began building factories. When the War of 1812 cut off European manufactures to the U.S., goods from Paterson factories filled the void. Hamilton had been proven correct; America needed an industrial-based economy to protect itself from Europe's volatility. As Paterson flourished to become an industrial giant, it led the way toward a reordering of American economic priorities.



Because of its vast manufacturing capabilities, Paterson attracted not just industrialists, but dreamers; the repeating revolver, the submarine, the locomotive, and the engine for Charles Lindbergh's airplane "Spirit of St. Louis" all came from Paterson.

Through it all, the SUM remained lord and master of Paterson, thanks to its ironclad charter and political influence on the local and state levels. Unfortunately, abuses of power—such as charging Paterson residents exorbitant rates for water while not paying taxes on its lands—and corruption permeated the corporation, leading to public revulsion and resentment of its vast power.

Finally, public pressure and a reformist political climate caught up to the SUM, and it dissolved in 1846. Today, only memories are left of this singular entity in American economic history.

Editor's Note: Russell Roberts is author of hundreds of articles and several books. This article first appeared in *Financial History* magazine, issue 65.



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When in NYC, Visit Finance Museum

A CARDINAL PRINCIPAL OF SPMC'S PROJECT 6000, "rebuilding a better Society for a new century,"™ program is partnering for benefit of the membership, the Society and the hobby. This Alexander Hamilton issue is one such partnership.

Partnering is supposed to create WIN-WIN outcomes for participants. In the past we've partnered with collector organizations, dealers, and authors to produce special editorial content for this magazine, but this issue partners us with the Museum of American Finance. This is unprecedented, and resulted in the splendid issue in your hands.

We've known John Herzog, the driving presence behind the Museum of American Finance, for nearly 30 years, since he sold us some vintage Poughkeepsie, NY municipal bonds in the late 1970s. Our interest was in two 19th Century mayors who signed these bonds, who were also presidents of Eastman National Business College, a collecting passion of ours.

We thought the prices asked were exorbitant, but Mr. Herzog convinced us they were a real bargain. Remember, this was long before scripophily was mainstream. Early on John understood the value of old securities. In decades since he, his firm R.M. Smythe, and their Strasburg Stock and Bond Show have helped build a market for these financial instruments, making our purchases great investments afterall!

Herzog also pioneered his museum, located it in the heart of New York City's financial district, and achieved affiliation as a branch of the Smithsonian Institution. John also cordially took us on a tour of the original museum a decade ago. Our visit -- capped by a nice hour or so spent upstairs talking shop with Dr. Douglas Ball -- was a memorable experience.

The original museum was a very professional affair in a city that wrote the rules for glitz. However, the new museum promises to be even more spectacular. I don't hesitate to recommend *Paper Money* readers stop by and explore their exhibits.

So thanks, John. And thanks too to Editor Kristin Aguilera of the museum's fine periodical *Financial History*. If you find some articles in this issue with unfamiliar bylines, they are the work of Kristin's authors, provided especially for this issue on Alexander Hamilton. Kristin also provided small Editor's Notes to relate these authors' backgrounds to readers.

The impetus for this issue was SPMC Vice President Mark Anderson. SPMC President Benny Bolin hopped on board immediately with an article. Mainstays like Gene Hessler, Wendell Wolka and Dave Bowers stepped up pen-in-hand. We'd also like to thank *Coin World* and SPMC member-staffer Michele Orzano for permission to reprint her Alexander Hamilton web press article. And readers can also feast on the wonderful items supplied by Claudia Dickens and our many friends at the BEP. With partners like these, we all win! ♦

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